

# **Exhibit 1**

**NIRO, SCAVONE, HALLER & NIRO**

181 WEST MADISON STREET-SUITE 4600

CHICAGO, ILLINOIS 60602-4515

TELEPHONE (312) 236-0733

FACSIMILE (312) 236-3137

March 1, 2004

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FREDERICK C. LANEY  
DAVID J. MAHALEK

**Via Federal Express**

Mr. Michael J. Merriman  
Chief Executive Officer  
Royal Appliance Mfg. Co.  
7005 Cochran Road  
Glenwillow, Ohio 44139-4303

Re: Black & Decker U.S. Patent No. 5,388,303

Dear Mr. Merriman:

We represent Black & Decker in the licensing and enforcement of its patent rights, including U.S. Patent No. 5,388,303 (the "'303 patent") issued on February 14, 1995, entitled "Vacuum Cleaner With Extendable Hose And Brush Disengagement."

We have carefully analyzed the '303 patent and file history, along with Royal's Platinum Force and Power Reach hand vacuums. Based upon our review of these Royal products, we believe the Platinum Force and Power Reach hand vacuums may be covered by the '303 patent.

We are prepared to cooperate fully in facilitating your evaluation of the '303 patent and its application to Royal's Platinum Force and Power Reach hand vacuums. Please let us know if there is any specific feature that you believe should be addressed in detail and we will promptly respond to your request.

Because of the importance to Black & Decker of resolving this matter, a timely response from you or your patent counsel would be appreciated. To that end, we welcome telephone inquiries or an early personal meeting. We also look forward to your prompt reply.

Sincerely,

  
Paul C. Gibbons

PCG/mm

cc: John D. Del Ponti

## **Exhibit 2**

**FAY, SHARPE, FAGAN, MINNICH & McKEE, LLP**

PATENT TRADEMARK AND COPYRIGHT LAW

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ALBERT P. SHARPE, III  
1956-2001

April 5, 2004

Patrick R. Roche  
[proche@faysharpe.com](mailto:proche@faysharpe.com)

Mr. Paul C. Gibbons  
Niro, Scavone, Haller & Niro  
181 West Madison Street – Suite 4600  
Chicago, Illinois 60602

**VIA FACSIMILE**  
**(312.236.3137 – 1 page)**

Re: Black & Decker U.S. Patent No. 5,388,303  
Our Reference: RYLZ 3 01103

Dear Mr. Gibbons:

We represent Royal Appliance Mfg. Co. in its patent matters. Your letter of March 1, 2004 to Michael Merriman has been referred to our office. We are investigating the matter and upon conclusion of the discussions with Royal of our findings, we will be back in touch with you.

Please accommodate us a few weeks.

Very truly yours,

FAY, SHARPE, FAGAN,  
MINNICH & McKEE, LLP



Patrick R. Roche

PRR:ct

cc: Royal Appliance Mfg. Co.

**NIRO, SCAVONE, HALLER & NIRO**

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181 WEST MADISON STREET-SUITE 4600  
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April 27, 2004

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**Via Federal Express**

Mr. Michael J. Merriman  
Chief Executive Officer  
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7005 Cochran Road  
Glenwillow, Ohio 44139-4303

Re: Black & Decker U.S. Patent No. 5,388,303

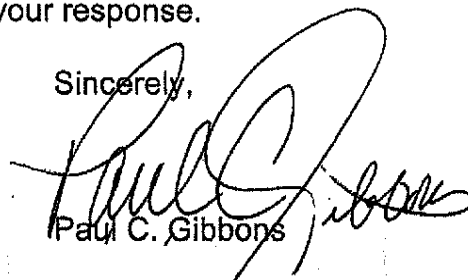
Dear Mr. Merriman:

On March 1, 2004, we wrote to you concerning Black & Decker's U.S. Patent No. 5,388,303. Our letter included the identification of Royal's Platinum Force and Power Reach hand vacuums which we believe are covered by the claims of the '303 patent based upon our analysis of those products. In turn, we asked Royal to evaluate the '303 patent and its application to the Royal hand vacuums we identified. Unfortunately, we have not yet received the courtesy of a response.

As you can appreciate, Black & Decker considers its patent and other intellectual property rights essential to its on-going success. In the interest of attempting to avoid the enormous expense and risk which comes with litigation, however, we would like to discuss reaching an amicable resolution with Royal regarding those products we believe are covered by the '303 patent.

In that regard, and as indicated previously, Black & Decker is prepared to assist Royal in its evaluation of the '303 patent and address any questions which may arise as a result of your investigation. Please let us know when you have concluded your review of the '303 patent. I look forward to your response.

Sincerely,

  
Paul C. Gibbons

PCG/mm

cc: John D. Del Ponti

**FAY, SHARPE, FAGAN, MINNICH & MCKEE, LLP**  
**1100 SUPERIOR AVENUE, SEVENTH FLOOR**  
**CLEVELAND, OHIO 44114-2518**  
**Telephone: (216) 861-5582**  
**Facsimiles: (216) 241-1666 and (216) 241-5147**

**Please call us immediately at (216) 861-5582 if this transmission  
is incomplete or illegible.**

DATE: April 29, 2004  
ATTENTION: Paul C. Gibbons  
TO: Niro, Scavone, Haller & Niro  
FACSIMILE NO.: 1.312.236.3137  
FROM: Patrick R. Roche  
RE: Black & Decker U.S. Patent No. 5,388,303

Total Number of Pages (including this cover sheet) 2

Dear Mr. Gibbons:

With reference to your letter dated April 27, 2004 to Mr. Merriman at Royal Appliance Mfg. Co., attached is a copy of our letter dated April 5, 2004 to you. We expect to get back to you shortly.

Patrick R. Roche

The documents accompanying this facsimile transmission include information from the firm of Fay, Sharpe, Fagan, Minnich & McKee, LLP that might be legally privileged and/or confidential. The information is intended for the use of only the individual or entity named on this cover sheet. If you are not the intended recipient, any disclosure, copying, or distribution of these documents, or the taking of any action based on the contents of this transmission, is prohibited. If you have received this transmission in error, these documents should be returned to this firm as soon as possible, and we ask that you notify us immediately by telephone so we can arrange for their return to us without cost to you.

## FAX TRANSMITTAL SHEET

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### NIRO SCAVONE HALLER & NIRO

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*Date:* April 29, 2004  
*Fax to:* Patrick R. Roche  
*Recipient's Fax:* 216-241-1666  
*From:* Paul C. Gibbons  
*Number of pages:* 2  
*(including transmittal sheet)*  
*Comments:*

**IF YOU DID NOT RECEIVE ALL PAGES, PLEASE CALL Mary Martin - -  
312/236-0733.**

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April 29, 2004

**Via Facsimile: (216) 241-1666**

Mr. Patrick R. Roche  
Fay, Sharpe, Fagan, Minnich & McKee  
1100 Superior Ave., 7<sup>th</sup> Floor  
Cleveland, OH 44114-2518

Re: Black & Decker U.S. Patent No. 5,388,303

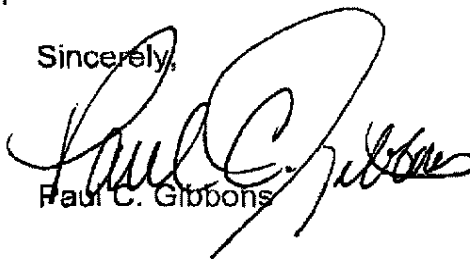
Dear Mr. Roche:

Thank you for your fax this morning. The April 5 letter you attached was never received by us, necessitating my April 27 letter to Mr. Merriman.

In your April 5 letter you apparently asked for the accommodation of a few weeks. Almost four weeks have passed in the interim. When do you think you will be in a position to respond?

I look forward to your timely response.

Sincerely,



Paul C. Gibbons

PCG/mm

cc: John D. Del Ponti



**FAY, SHARPE, FAGAN, MINNICH & McKEE, LLP**

PATENT TRADEMARK AND COPYRIGHT LAW

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June 1, 2004

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Chicago, Illinois 60602

Re: Black &amp; Decker U.S. Patent No. 5,388,303

Dear Mr. Gibbons:

Further to our letter of April 5, 2004, we have now had an opportunity to review the file history of the Black & Decker 5,388,303 patent (the '303 patent). As a result of that review, Royal responds as follows to your letter of March 1, 2004.

In our view, the Royal Platinum Force and Power Reach hand vacuums do not infringe the claims of the '303 patent. Initially, we note that the Royal products do not have a hose located on an exterior of the housing with a first end of the hose being connected to an intake section of the housing. In the Royal hand vacuums, a first end of the hose is connected to a suction nozzle, which is not part of the housing. Rather, the suction nozzle is spaced from the housing so that it can be used in a manner physically separated from the housing.

This is in contrast to the vacuum cleaner claimed in the '303 patent in which the suction nozzle or intake section is part of the housing. In this connection, it is stated in the '303 patent's specification that:

"(t)he bottom housing 26 also forms part of a nozzle 38 at the intake section 32 that the front end of the hose 22 is connected to. The top housing 28 also forms part of the nozzle 38...The nozzle 38 forms a

Paul C. Gibbons, Esq.

June 1, 2004

Page 2

conduit to the interior of the intake section 32...The top housing 28 also includes a second nozzle 42 located proximate the rear end 36 of the housing that the second end of the hose 22 is connected to." (see column 3, lines 6-16).

Further, it is stated that:

"The housing members 26a, 26b and 28 and handle 30 form a unitary substantially rigid housing." (see column 2, line 68 to column 3, line 2)

The Royal hand vacuums also have a unitary housing, with an inlet of the housing being located at a rear end thereof. The Royal design thus has the "second nozzle" mentioned in the '303 patent. That "nozzle" is connected to a second end of the Royal hose. The first end of Royal's hose is connected to a suction nozzle, which is a separate element and not part of the housing. In fact, the Royal suction nozzle is employed separately from the housing, which is the reason the Power Reach nozzle is so called. The Platinum Force hand vac has the same design. Thus, unlike the vacuum cleaner which is claimed in Black & Decker's '303 patent, there is no "intake section of the housing" in the Royal hand vacs.

If anything can be termed the "intake section of the housing" in the Royal designs, it would have to be the portion which is termed in the '303 patent's claims as "a second end connected to the source of vacuum". As mentioned, this portion is identified as the "second nozzle 42" in the specification of the '303 patent. In sum, the Royal designs, which employ a freely movable suction nozzle that is a separate element from the housing, have a significantly different design than the subject matter claimed in the '303 patent including "an intake section of the housing".

Moreover, the "means" for allowing removal of the first end of the hose from the intake section is somewhat different in the Royal hand held vacuums than the "means" which is taught in the '303 patent. The Royal device uses a sleeve to which a hose is releasably attached via a rotatable cuff. In contrast, the '303 patent teaches a front cuff 92 which is snap fit onto a collar 40 of nozzle 38 (see column 6, lines 23-27). Alternatively, a latch 41 (such as a leaf spring) could be used to prevent the cuff from disconnecting from the nozzle (see column 6, lines 23-27). Significantly, there is no teaching or disclosure of a rotatable cuff in the '303 patent. Therefore, the rotatable cuff employed in the Royal hand vacs is outside the scope of claim coverage of the "means" which is recited in the claims of the '303 patent.

Paul C. Gibbons, Esq.  
June 1, 2004  
Page 3

In addition, the Royal devices do not have a hose with "a relatively compact free-standing arch shape when connected between the intake section and the source of vacuum" as recited in claim 1 of the '303 patent. In the Royal hand vacuums, the hose is not "relatively compact", since it extends the entire length of the hand held vacuum cleaner. This is in contrast to the relatively compact shape of the hose which is claimed in the Black & Decker '303 patent and is disclosed in the drawings thereof.

For all these reasons, the Royal hand held vacuums are not covered by claim 1 of the '303 patent. Similarly, dependent claims 2-6 and 11, since they depend from claim 1, are also avoided by the Royal designs.

Independent claim 7 similarly recites "an intake section of the housing". As mentioned above, the Royal hand vacuums do not have an intake section of the housing, other than having a second end of the hose being connected to a source of vacuum contained within the housing. In addition, the "means" for allowing removal of the first end of the hose is different in the Royal design, as discussed above.

Moreover, claim 7 recites a "means for automatically stopping the brush from being driven when the first end of the hose is removed from the intake section." In the Royal Power Reach hand vacuum, the brush is turbine driven. It is not driven by an electric motor. Therefore, it is the absence of a suction being drawn through the nozzle which stops rotation of the brush. This is in contrast with the "means" disclosed in the Black & Decker '303 patent, wherein a belt shifter is employed to stop rotation of the brush roll 24 when the hose 22 is detached. The belt shifter mechanism is described in detail in column 7 of the '303 patent. Such a "means for automatically stopping the brush" is vastly different from the ceasing of a suction airflow to stop an air turbine driving the brush roll, as employed in the Royal Power Reach hand vacuum. Thus, this Royal device is outside the scope of the language of claim 7.

In the Royal Platinum Force hand vacuum, an electrified hose is used. When the hose is disconnected from the nozzle head, power is cut off to a brush roll motor held in the nozzle head, thereby stopping further rotation of the brush roll. This design is, again, vastly different from the "means" recited in claim 7 of the '303 patent, and is outside the scope thereof.

As a result, it is our opinion that the Royal designs avoid claim 7 of the '303 patent. Since claim 7 is avoided, so are its dependent claims 8, 9 and 12.

As to claim 10, the Royal hand vacuums do have a "unitary rigid portable hand held housing" as recited in that claim. But, the intake section is not formed by the

Paul C. Gibbons, Esq.

June 1, 2004

Page 4

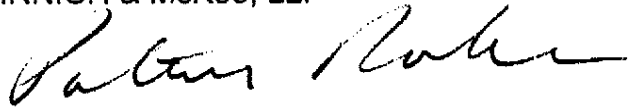
unitary rigid portable hand held housing. As discussed above, in the Royal design, the intake section or suction nozzle is a separate element apart from the unitary housing. A hose is needed to operatively connect the suction nozzle to the housing. Therefore, claim 10 is also avoided by the Royal designs.

Since claim 10 is avoided, so is its dependent claim 13.

After a review of the foregoing, we trust you will agree that the two Royal hand held vacuum designs discussed herein avoid all of the claims of the Black & Decker '303 patent.

Very truly yours,

FAY, SHARPE, FAGAN,  
MINNICH & McKee, LLP

A handwritten signature in black ink, appearing to read "Patrick R. Roche", written in a cursive style.

Patrick R. Roche

PRR/JFM/kan

cc: Royal Appliance Mfg. Co.

N:\RYLZ\301103\KAN0001583V001.doc

**NIRO, SCAVONE, HALLER & NIRO**

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**Communication Pursuant to Rule 408, Fed.R.Evid.**

August 18, 2004

**Facsimile: (216) 241-1666**

Patrick R. Roche  
Fay, Sharpe, Fagan, Minnich & McKee  
1100 Superior Avenue, 7<sup>th</sup> Floor  
Cleveland, Ohio 44114-2518

Re: Black & Decker U.S. Patent No. 5,388,303

Dear Pat:

Thanks for your voice message last week. As you requested, Black & Decker makes the following written settlement proposal.

Black & Decker is willing to grant Royal a full release for the past and a non-exclusive license going forward under its '303 patent for both the Royal Platinum Force and Power Reach products. Black & Decker proposes a lump sum of \$750,000 for the release and a royalty of 9% for all future sales. Black & Decker feels that this is fair and reasonable, given its solid position on infringement and the license rates granted on comparable patents in the past. For example, in a case against Porter Cable, a jury found a reasonable royalty of 18%, and we obtained royalties exceeding defendant's sales price in other patent litigation.

After reviewing your June 1 letter in considerable detail, we can state that Black & Decker strongly disagrees with your basis for noninfringement. It seems Royal's arguments rely more on semantics than any real functional differences, such as your assertion that the "suction nozzle" is a separate component "which is not part of the housing," even when entirely connected together.

Nonetheless, Black & Decker has no intention of initiating any litigation against Royal at this time. Instead, Black & Decker would like to focus its efforts toward negotiating an amicable solution. We look forward to your earliest possible response.

Sincerely,

  
Raymond P. Niro, Jr.

RPNjr/sls

**NIRO, SCAVONE, HALLER & NIRO**

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**Communication Pursuant to Rule 408, Fed.R.Evid.**

September 15, 2004

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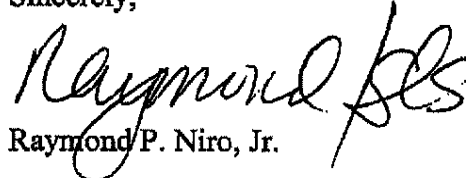
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1100 Superior Avenue, 7<sup>th</sup> Floor  
Cleveland, Ohio 44114-2518

Re: Black & Decker U.S. Patent No. 5,388,303

Dear Pat:

It has been nearly one month since we sent you the attached settlement proposal. Please provide us with Royal's earliest possible response. Thanks for your cooperation.

Sincerely,

  
Raymond P. Niro, Jr.

RPNjr/sls



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FREDERICK C. LANEY  
DAVID J. MAHALEK

**Facsimile: (216) 241-1666**

Patrick R. Roche  
Fay, Sharpe, Fagan, Minnich & McKee  
1100 Superior Avenue, 7<sup>th</sup> Floor  
Cleveland, Ohio 44114-2518

Re: Black & Decker U.S. Patent No. 5,388,303

Dear Pat:

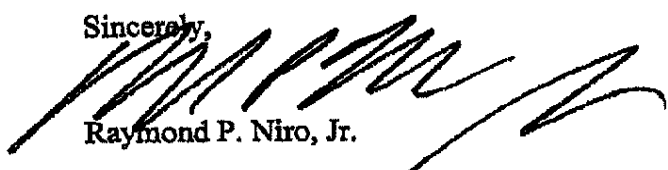
Thanks for your voice message last week. As you requested, Black & Decker makes the following written settlement proposal.

Black & Decker is willing to grant Royal a full release for the past and a non-exclusive license going forward under its '303 patent for both the Royal Platinum Force and Power Reach products. Black & Decker proposes a lump sum of \$750,000 for the release and a royalty of 9% for all future sales. Black & Decker feels that this is fair and reasonable, given its solid position on infringement and the license rates granted on comparable patents in the past. For example, in a case against Porter Cable, a jury found a reasonable royalty of 18%, and we obtained royalties exceeding defendant's sales price in other patent litigation.

After reviewing your June 1 letter in considerable detail, we can state that Black & Decker strongly disagrees with your basis for noninfringement. It seems Royal's arguments rely more on semantics than any real functional differences, such as your assertion that the "suction nozzle" is a separate component "which is not part of the housing," even when entirely connected together.

Nonetheless, Black & Decker has no intention of initiating any litigation against Royal at this time. Instead, Black & Decker would like to focus its efforts toward negotiating an amicable solution. We look forward to your earliest possible response.

Sincerely,

  
Raymond P. Niro, Jr.

RPNjr/sls

FAY, SHARPE, FAGAN, MINNICH & McKEE, LLP

PATENT TRADEMARK AND COPYRIGHT LAW

1100 SUPERIOR AVENUE

SEVENTH FLOOR

CLEVELAND, OHIO 44114-2579

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VIA FACSIMILE

October 4, 2004

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Raymond Niro, Jr., Esq.  
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181 West Madison Street  
Suite 4600  
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Re: Black & Decker U.S. Patent No. 5,388,303  
Our Reference RYLZ 3 01103

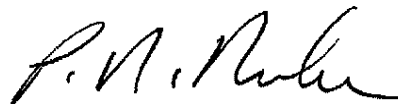
Dear Ray:

Your letter of August 18, 2004 and reminder of September 15, 2004 have been shared with Royal Appliance Mfg. Co. Unfortunately, Royal believes your settlement offer is completely unrealistic.

Royal maintains its position of non-infringement. Further, it is our understanding that Black & Decker has never sold a product protected by this patent. Accordingly, in view of its firm belief of no liability, and the fact that only a "paper" patent is involved, Royal is only willing to offer a modest settlement amount to end the matter. We have been authorized to offer \$50,000 as a lump sum payment for a fully paid up license.

Very truly yours,

FAY, SHARPE, FAGAN,  
MINNICH & McKEE, LLP



Patrick R. Roche

PRR:ct  
cc: Royal Appliance Mfg. Co.



**NIRO, SCAVONE, HALLER & NIRO**  
**181 WEST MADISON STREET - SUITE 4600**  
**CHICAGO, ILLINOIS 60602-4515**  
**TELEPHONE NO. (312) 236-0733**  
**FACSIMILE NO. (312) 236-3137**

**TO:** Pat Roche

**FROM:** Raymond Niro Jr.

**DATE:** October 22, 2004

**TIME:** 10:43 am

**TOTAL NUMBER OF PAGES (including cover page):** 4. If you do not receive all of the pages, please call (312) 236-0733 and ask for Susan Swierk.

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**Communication Pursuant to Rule 408, Fed.R.Evid.**

October 22, 2004

ROBERT P. GREENSPOON  
 SALLY WIGGINS  
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 MATTHEW G. McANDREWS  
 PAUL C. GIBBONS  
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Facsimile: (216) 241-1666

Patrick R. Roche  
 Fay, Sharpe, Fagan, Minnich & McKee  
 1100 Superior Avenue, 7<sup>th</sup> Floor  
 Cleveland, Ohio 44114-2518

Re: Black & Decker U.S. Patent No. 5,388,303

Dear Pat:

We have reviewed your letter of October 4, 2004. Black & Decker rejects Royal's offer of \$50,000 for a fully paid-up license.

Your proposal is based on Royal's "firm belief" in its position of noninfringement. Black & Decker has an equally firm belief that Royal is liable for infringing its '303 patent. Perhaps we will not be able to convince each other of our respective positions on the merits, but it is hard to believe that Royal is assessing no risk of liability, particularly given the strength of the '303 patent and the clear read on Royal's products.

Royal also contends (mistakenly) that Black & Decker has never sold a product covered by the '303 patent, and "the fact that only a 'paper' patent is involved" justifies such a minimal settlement offer. First, Black & Decker did commercialize its '303 patent (see attached photos). Second, there is no case law supporting your position that patent infringement is somehow acceptable provided that only a so-called "paper" patent is involved. Royal's proposal is therefore premised on two incorrect assumptions.

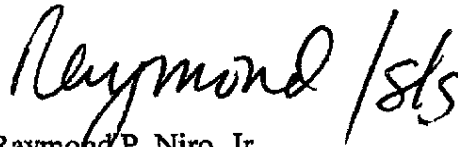
In addition, Royal's offer does not account for the substantial volume of sales of the accused Platinum Force and Power Reach products, which we understand would range in the tens of millions of dollars for the past and future. The potential exposure to Royal far exceeds the amount that Black & Decker is currently offering in settlement.

Patrick R. Roche  
October 22, 2004  
Page 2  
**Rule 408, Fed.R.Evid.**

With that in mind, Black & Decker remains interested in focusing its efforts toward reaching an amicable solution, rather than having the dispute decided through litigation. Therefore, to conclude this matter without any further expenditure of time and resources, Black & Decker has authorized us to reduce its offer to \$500,000 for the past and a 5% royalty going forward. Again, this proposal will only be acceptable to Black & Decker only if we can reach a quick resolution.

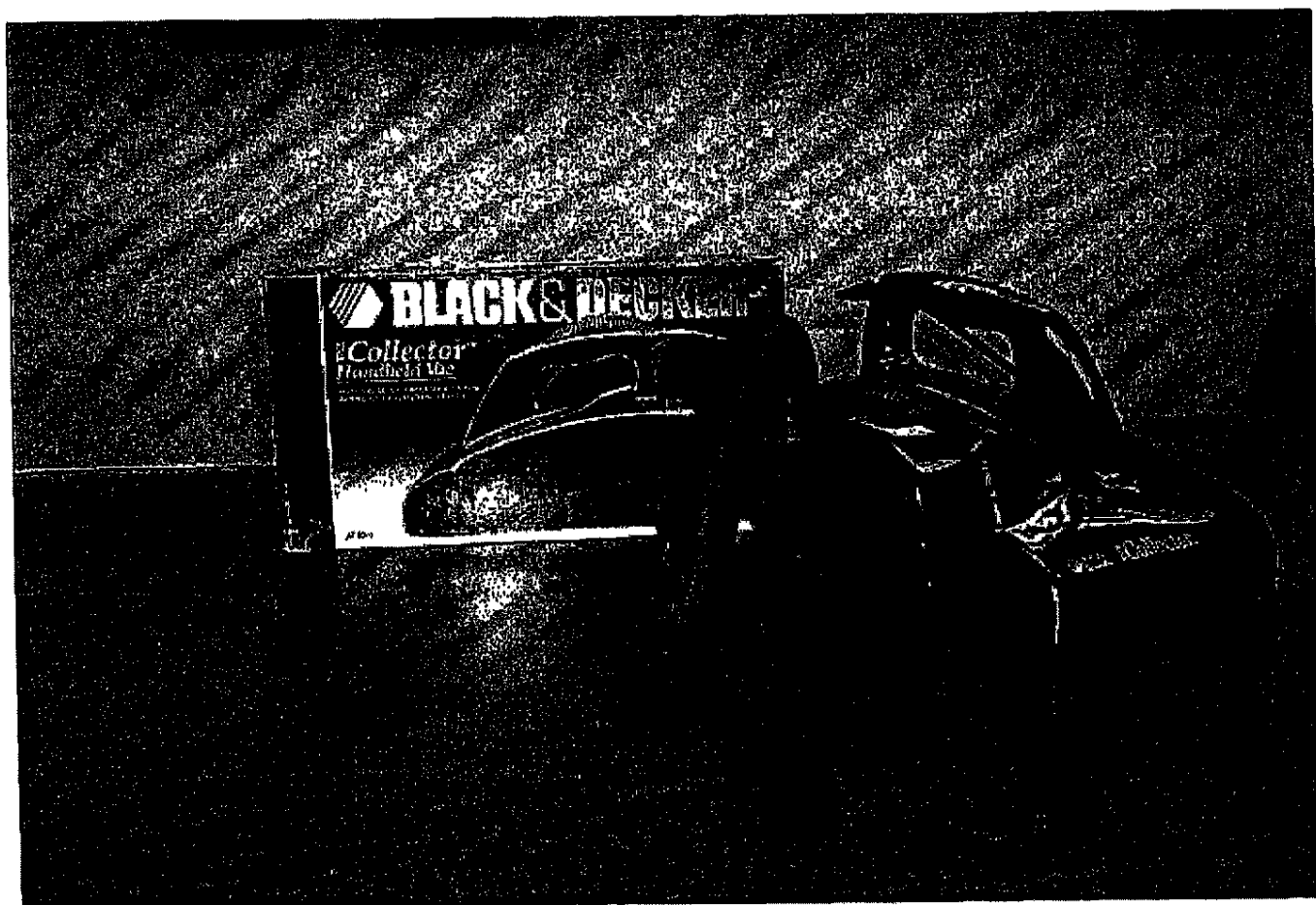
We look forward to your prompt response.

Sincerely,

A handwritten signature in black ink that reads "Raymond /sls". The signature is written in a cursive, flowing style.

Raymond P. Niro, Jr.

RPNjr/sls  
Enclosures



**NIRO, SCAVONE, HALLER & NIRO**  
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**CHICAGO, ILLINOIS 60602-4515**  
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TO: Pat Roche

FROM: Raymond Niro Jr.

DATE: November 18, 2004

TIME: 1:14 pm

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**Communication Pursuant to Rule 408, Fed.R.Evid.**

November 18, 2004

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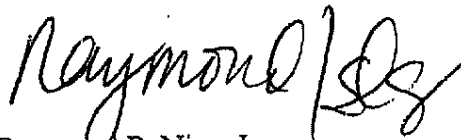
Patrick R. Roche  
Fay, Sharpe, Fagan, Minnich & McKee  
1100 Superior Avenue, 7<sup>th</sup> Floor  
Cleveland, Ohio 44114-2518

Re: Black & Decker U.S. Patent No. 5,388,303

Dear Pat:

Please provide Royal's earliest possible response to my October 22, 2004 letter. Black & Decker has indicated that it would like us to expedite our settlement. Thanks.

Sincerely,



Raymond P. Niro, Jr.

RPNjr/sls

FAY, SHARPE, FAGAN, MINNICH & McKEE, LLP

PATENT TRADEMARK AND COPYRIGHT LAW

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December 2, 2004

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Raymond P. Niro, Jr., Esq.  
Niro, Scavone, Haller & Niro  
181 West Madison Street  
Suite 4600  
Chicago, Illinois 60602-4515

Re: Black & Decker U.S. Patent No. 5,388,303  
Our Reference: RYLZ 3 01103

Dear Ray:

Responsive to your letter of October 22, 2004, Royal was a little surprised that Black & Decker had in fact commercialized a product under the '303 patent. Since that time our efforts to locate any of the product have been unsuccessful, and so now we are asking for your help.

We do not dispute your point concerning "paper" patents. On the other hand, we are more interested in its evidentiary relevance to a royalty rate determination. Accordingly, when was the last time Black & Decker sold any of its COLLECTOR product? We know that the registration was canceled in 2001. Could you give us an indication of the sale value. Was the product sold with the appropriate constructive notice patent markings? We wonder if there is a decent argument that the Royal sales prior to the date of your actual notice letter are exempt. Lastly, are there any licenses under the patent?

Very truly yours,

FAY, SHARPE, FAGAN,  
MINNICH & McKEE, LLP

  
Patrick R. Roche

PRR:ct  
cc: Royal Appliance Mfg.

**NIRO, SCAVONE, HALLER & NIRO**  
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**CHICAGO, ILLINOIS 60602-4515**  
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**FACSIMILE NO. (312) 236-3137**

TO: Pat Roche

FROM: Raymond Niro Jr.

DATE: December 16, 2004

TIME: 10:32 am

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**Communication Pursuant to Rule 408, Fed.R.Evid.**

December 16, 2004

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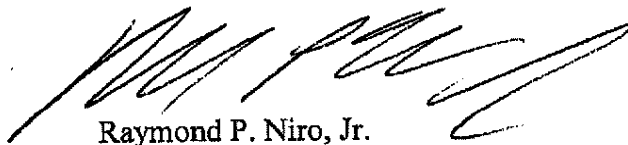
Re: Black & Decker U.S. Patent No. 5,388,303

Dear Pat:

As indicated previously in my voice message, we are in the process of gathering the documents and information referenced in your December 2, 2004 letter. We have requested information from you as well, including past sales volumes and projections for the accused products, profit margins and the like. This can certainly be handled under an appropriate confidentiality agreement.

Please let me know when you are ready to exchange this information, so that we can progress with the settlement discussions.

Sincerely,



Raymond P. Niro, Jr.

RPNjr/sls

**NIRO, SCAVONE, HALLER & NIRO**

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**Communication Pursuant to Rule 408, Fed.R.Evid.**

January 13, 2005

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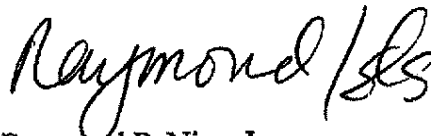
Patrick R. Roche  
Fay, Sharpe, Fagan, Minnich & McKee  
1100 Superior Avenue, 7<sup>th</sup> Floor  
Cleveland, Ohio 44114-2518

Re: Black & Decker U.S. Patent No. 5,388,303

Dear Pat:

Please provide your response to our letter of December 16, 2004. Black & Decker would like to expedite our settlement discussions if possible.

Sincerely,



Raymond P. Niro, Jr.

RPNjr/sls

## **Exhibit 3**

FAY, SHARPE, FAGAN, MINNICH & MCKEE, LLP

PATENT TRADEMARK AND COPYRIGHT LAW

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ALBERT P. SHARPE, III  
1959-2001

February 18, 2005

Patrick R. Roche  
[proche@faysharpe.com](mailto:proche@faysharpe.com)

Raymond P. Niro, Jr., Esq.  
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181 West Madison Street  
Suite 4600  
Chicago, Illinois 60602-4515

Re: Black & Decker U.S. Patent No. 5,388,303  
Our Reference: RYLZ 3 01103

Dear Ray:

I am sorry for the delay in getting back to you. Royal is reluctant to supply the requested past sales information until it is convinced it is relevant. We need some information from you evidencing that B&D complied with the proper notice provisions regarding patent marking on the COLLECTOR product. Royal has finally been able to obtain a sample of the product and it lacks a marking of the patent number. Please provide us with appropriate evidence of those COLLECTOR products that were sold after the patent issued having the required patent number marking.

We know the COLLECTOR had a relatively brief product life and believe a substantial portion of this life existed after the patent issued, and so we will also require your assurances that most of the products sold after the patent issue date included the patent number marking.

As this is not confidential information to B&D, we do not appreciate why this request should be treated by you as requiring a corresponding exchange of Royal confidential information.

Raymond P. Niro, Jr., Esq.  
February 18, 2005  
Page 2

We look forward to hearing from you at your convenience.

Very truly yours,

FAY, SHARPE, FAGAN,  
MINNICH & McKEE, LLP



Patrick R. Roche

PRR:ct

cc: Royal Appliance Mfg. Co.

## **Exhibit 4**



## UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Patents  
 United States Patent and Trademark Office  
 P.O. Box 1450  
 Alexandria, VA 22313-1450  
 www.uspto.gov

Ex Parte Reexamination Filing Data - June 30, 2006

## 1. Total requests filed since start of ex parte reexam on 07/01/81 .....8084

a. By patent owner	3313	41%
b. By other member of public	4606	57%
c. By order of Commissioner	165	2%

## 2. Number of filings by discipline

a. Chemical Operation	2496	31%
b. Electrical Operation	2608	32%
c. Mechanical Operation	2980	37%

## 3. Annual Ex Parte Reexam Filings

Fiscal Yr.	No.	Fiscal Yr.	No.	Fiscal Yr.	No.	Fiscal Yr.	No.
1981	78 (3 mos.)	1989	243	1997	376	2005	524
1982	187	1990	297	1998	350	2006	340
1983	186	1991	307	1999	385		
1984	189	1992	392	2000	318		
1985	230	1993	359	2001	296		
1986	232	1994	379	2002	272		
1987	240	1995	392	2003	392		
1988	268	1996	418	2004	441		

## 4. Number known to be in litigation .....1895 23%

## 5. Determinations on requests .....7852

a. No. granted ..... 7160 ..... 91%

(1) By examiner	7054
(2) By Director (on petition)	106

b. No. denied ..... 692 ..... 9%

(1) By examiner	657
(2) Order vacated	35

## 6. Total examiner denials (includes denials reversed by Director).....763

a. Patent owner requester	430	56%
b. Third party requester	333	44%

## 7. Overall reexamination pendency (Filing date to certificate issue date)

a. Average pendency	22.8 (mos.)
b. Median pendency	17.6 (mos.)

## 8. Reexam certificate claim analysis:

	<u>Owner Requester</u>	<u>3rd Party Requester</u>	<u>Comm'r Initiated</u>	<u>Overall</u>
a. All claims confirmed	23%	29%	13%	26%
b. All claims cancelled	7%	12%	19%	10%
c. Claims changes	70%	59%	68%	64%

## 9. Total ex parte reexamination certificates issued (1981 - present).....5433

a. Certificates with all claims confirmed	1410	26%
b. Certificates with all claims canceled	554	10%
c. Certificates with claims changes	3469	64%

## 10. Reexam claim analysis - requester is patent owner or 3rd party; or Comm'r initiated.

## a. Certificates \_ PATENT OWNER REQUESTER.....2360

(1) All claims confirmed	543	23%
(2) All claims canceled	174	7%
(3) Claim changes	1643	70%

## b. Certificates \_ 3rd PARTY REQUESTER.....2934

(1) All claims confirmed	849	29%
(2) All claims canceled	353	12%
(3) Claim changes	1732	59%

## c. Certificates \_ COMM'R INITIATED REEXAM .....139

(1) All claims confirmed	18	13%
(2) All claims canceled	27	19%
(3) Claim changes	94	68%



## **Exhibit 5**

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7  
8 **UNITED STATES DISTRICT COURT**  
9 **SOUTHERN DISTRICT OF CALIFORNIA**  
10

11 JENS ERIK SORENSEN, as Trustee of  
12 SORENSEN RESEARCH AND  
DEVELOPMENT TRUST,

13 Plaintiff,  
14

15 vs.  
16

17  
18  
19  
20 THE BLACK AND DECKER  
21 CORPORATION, et al.

22 Defendants.  
23  
24

CASE NO. 06cv1572 BTM (CAB)

**ORDER:**

(1) DENYING PLAINTIFF'S MOTION  
FOR RECONSIDERATION OF  
DENIAL OF OBJECTIONS TO  
MAGISTRATE JUDGE'S ORDER OF  
APRIL 9, 2007 AS MOOT [Doc.  
#163];

(2) GRANTING DEFENDANTS'  
MOTION FOR RECONSIDERATION  
OF THE COURT'S JUNE 20, 2007  
ORDER RE BIFURCATION [Doc.  
#171];

(3) GRANTING IN PART AND  
DENYING IN PART DEFENDANTS'  
MOTION TO STAY [Doc. #178];

and

(4) DENYING PLAINTIFF'S MOTION  
FOR PARTIAL SUMMARY  
JUDGMENT AS PREMATURE [Doc.  
#204]

25 **I. Motion for Reconsideration of Denial of Objections to Magistrate Judge's Order**

26 On April 9, 2007, Magistrate Judge Bencivengo issued an order in which she granted  
27 in part and denied in part Plaintiff's motion to compel further responses to discovery. In  
28 accordance with 28 U.S.C. § 636(b)(1)(A) and Fed. R. Civ. P. 72(a), Plaintiff filed an

1 objection to that ruling, arguing that it was both clearly erroneous and contrary to law. In an  
2 order entered June 14, 2007, the Court overruled Plaintiff's objection without prejudice. The  
3 Court found that the Magistrate Judge's determinations regarding the Black & Decker  
4 Defendants' waiver of the attorney-client privilege, and the applicability of Patent Local Rule  
5 2.5(d), were neither clearly erroneous nor contrary to law, on the record before the Court.  
6 However, the Court was unable to determine at that time whether, and to what extent, the  
7 Black & Decker Defendants ("B&D") intended to rely upon the death of Dennis Dearing to  
8 provide the requisite showing of prejudice in support of any laches and/or equitable estoppel  
9 defenses. Therefore, Plaintiff was granted leave to serve an interrogatory upon B&D, which  
10 stated: "Set forth, in detail, all prejudice to Defendants that resulted from the death of Dennis  
11 Dearing in regard to this case." To the extent Plaintiff believed that B&D's response to the  
12 interrogatory indicated that this Court's determination regarding waiver of the attorney-client  
13 privilege was in error, it was invited to move for reconsideration of the decision at that time.

14 On July 11, 2007, B&D responded to Plaintiff's interrogatory setting forth the prejudice  
15 that resulted from the death of its former in-house counsel Dennis Dearing. The prejudice  
16 identified included the inability to have Mr. Dearing testify regarding his communications in  
17 the mid-1990s pertaining to Mr. Jens Ole Sorensen's claims of infringement of the '184  
18 Patent. These communications included discussions directly with Mr. Sorensen and his  
19 representatives, as well as with John Schiech, Black & Decker's business manager  
20 responsible for making all decisions concerning the matter. B&D also indicated that it was  
21 prejudiced because it could not present Mr. Dearing as a witness to defend against Plaintiff's  
22 charge of willful infringement.

23 On July 12, 2007, Plaintiff filed the present motion to reconsider this Court's previous  
24 ruling on the basis of the new evidence presented in B&D's interrogatory response. The  
25 motion was calendared for hearing, without oral argument, on August 10, 2007. However,  
26 while the motion was pending, Magistrate Judge Bencivengo reconsidered her earlier ruling  
27 in light of B&D's interrogatory response. On August 3, 2007, Judge Bencivengo issued her  
28 "Order Following Discovery Conference on July 26, 2007" in which she ruled:

1 Since the defendant is affirmatively relying upon the death of Mr. Dearing to  
2 support its defense of laches, the plaintiff is entitled to review Mr. Dearing's  
3 files that still exist and reflect his personal thoughts and impressions, so  
4 plaintiff may respond to defendant's claim of lost evidence. Defendant was  
therefore ordered to produce any withheld documents reflecting Mr.  
Dearing's work product on this matter.

5 [Doc. #177 at ¶ 8.] Judge Bencivengo stayed production of Mr. Dearing's work product for  
6 30 days in order to give B&D an opportunity to appeal the order. B&D has just taken that  
7 opportunity and filed a motion for reconsideration on September 4, 2007 [Doc. #240]. B&D's  
8 motion is calendared for hearing by this Court on November 2, 2007.

9 In light of Judge Bencivengo's more recent order requiring production of Mr. Dearing's  
10 privileged documents, and the now-pending motion for reconsideration of that order, the  
11 Court finds moot Plaintiff's motion for reconsideration of its previous order overruling  
12 Plaintiff's objection to Judge Bencivengo's April 9, 2007 order. The Court finds that this  
13 entire issue will be addressed, upon a complete and updated record that includes Judge  
14 Bencivengo's August 3, 2007 order, in the Court's forthcoming decision on B&D's pending  
15 motion for reconsideration. Accordingly, Plaintiff's motion is **DENIED** without prejudice as  
16 moot.

## 17 18 **II. Motion for Reconsideration of Bifurcation**

19 On June 13, 2007, the Court held a hearing on B&D's motion for summary judgment  
20 of laches. The Court denied B&D's motion at that hearing and discussion then ensued over  
21 the possibility of setting an expedited bench trial on B&D's equitable defenses of laches and  
22 estoppel. At B&D's urging, the Court and the parties agreed to schedule this bench trial  
23 beginning on December 17, 2007. In a June 20, 2007 written order confirming the Court's  
24 decision from the June 13 hearing, the Court explained that the trial of equitable defenses  
25 could be bifurcated from the rest of the trial proceedings relating to infringement. [Doc. #147  
26 at 2-3.] Citing the Ninth Circuit case of Danjaq LLC v. Sony Corp., 263 F.3d 942 (9th Cir.  
27 2001), the Court explained that, in deciding these equitable defenses, it would need to  
28 determine whether there has been any showing of willful infringement on the part of

1 Defendants that would act as a "counterdefense" to laches. The Court invited any party to  
2 make a motion for reconsideration of the decision to bifurcate the equitable portion of the trial  
3 if they felt that the Court's determination of the willfulness issue presented a problem for any  
4 subsequent jury trial proceedings.

5 On July 20, 2007, B&D accepted the Court's invitation and filed a motion for  
6 reconsideration of bifurcation. [Doc. #171.] B&D explained that it had not appreciated that  
7 the Court itself would need to make a finding on willfulness, without the aid of a jury, in any  
8 bifurcated trial on equitable defenses. In light of this realization, and its desire to retain its  
9 full rights to a jury determination on willfulness, B&D withdrew its request for an expedited  
10 bench trial on its equitable defenses.

11 Plaintiff has opposed B&D's motion for reconsideration arguing that there is no  
12 authority establishing any right to a jury trial on willfulness and, to the extent such a right  
13 exists, B&D has waived its rights by continually requesting that the Court schedule a short  
14 bench trial on laches before proceeding with the rest of the action.

15 The Court finds that the right to a jury trial on willfulness exists in a patent action that  
16 will be tried to a jury. See, e.g., Richardson v. Suzuki Motor Co., 886 F.2d 1226, 1250 (Fed.  
17 Cir. 1989). Having considered the submissions of the parties and the record of these  
18 proceedings, the Court does not find that B&D has knowingly waived its right to a jury trial  
19 on willfulness. Moreover, the early bifurcated trial on equitable defenses was scheduled by  
20 this Court in an effort to accommodate B&D's request for an early determination of laches,  
21 which it argued, if found, would greatly expedite the conclusion of this matter. Having  
22 recognized that a laches determination requires that this Court determine, before any jury  
23 has considered the question, whether Defendants willfully infringed Plaintiff's patent, B&D  
24 has withdrawn its request. The Court sees no reason to push ahead with a bifurcated trial  
25 despite B&D's express wishes.

26 The Court's recognition of the practical ramifications of the intertwinement of  
27 willfulness in any laches determination was the impetus for the Court's invitation to  
28 reconsider in its June 20, 2007 order. Having considered B&D's submission, which was

1 based upon the exact issues identified in this Court's own order, the Court hereby **GRANTS**  
2 B&D's motion. The bifurcated bench trial on equitable defenses previously scheduled for  
3 December 17, 2007 is hereby **VACATED**, along with all pretrial proceedings associated with  
4 it, including the November 26, 2007 pretrial conference.

5  
6 **III. Motion to Stay Litigation Pending Reexamination**

7 On August 3, 2007, all Defendants jointly filed a motion for a stay of these  
8 proceedings. Defendants' motion is based on B&D's pending request for reexamination of  
9 Plaintiff's '184 Patent, which was filed with the U.S. Patent and Trademark Office ("PTO") on  
10 July 30, 2007. The request for reexamination challenges, *inter alia*, all 5 claims of the '184  
11 Patent that are asserted in the present litigation. The challenge is based on a number of  
12 prior art references, almost all of which were apparently not considered by the PTO in the  
13 prosecution of the '184 Patent.

14 Courts have inherent power to stay an action pending conclusion of PTO  
15 reexamination proceedings. Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988).  
16 The decision whether to grant or deny a motion to stay proceedings pending PTO  
17 reexamination rests within the sound discretion of the court. See, e.g., Photoflex Products,  
18 Inc. v. Circa 3 LLC, No. C 04-03715 JSW, 2006 U.S. Dist. LEXIS 37743, at \*2-3 (N.D. Cal.  
19 May 24, 2006). There is a "liberal policy" in favor of granting motions to stay pending the  
20 outcome of PTO reexamination proceedings. ASCII Corp. v. STD Entertainment USA, Inc.,  
21 844 F. Supp. 1378, 1381 (N.D. Cal. 1994).

22 In determining whether to stay litigation pending reexamination by the PTO, courts  
23 generally consider the following factors: (1) the stage of litigation, i.e., whether discovery is  
24 almost complete and whether a trial date has been set; (2) whether a stay would cause  
25 undue prejudice or present a clear disadvantage to the non-moving party; and (3) whether  
26 a stay will simplify the issues in question and trial of the case. See, e.g., Xerox Corp. v.  
27 3Com Corp., 69 F. Supp. 2d 404, 406 (W.D.N.Y. 1999).

28 The Court finds that this litigation has not proceeded so far that it would be unjust to

1 stay the action. Although this action was originally filed about a year ago, and the Court  
2 recognizes that substantial amounts of discovery have already occurred, the more relevant  
3 inquiry is whether discovery is nearing completion – it is not.<sup>1</sup> For instance, Magistrate Judge  
4 Bencivengo recently granted the parties permission to take an additional 10 depositions per  
5 side. [See Doc. #159 at 2.] No deadline for the completion of fact discovery has even been  
6 set. Moreover, the parties are just beginning to brief the preliminary issue of claim  
7 construction and, in accordance with the decision above to vacate the bifurcated bench trial  
8 on equitable defenses, no trial date is currently set for any aspect of this case. In addition,  
9 while the Court has already considered two motions for summary judgment, it previously put  
10 off consideration of two others until after claim construction, and Plaintiff has just filed a  
11 substantial summary judgment motion aimed at piercing Black & Decker's corporate veil.  
12 The Court anticipates that further summary judgment motions regarding infringement and  
13 patent validity will be filed once claim construction is complete. Thus, a substantial amount  
14 of resources will be employed by all parties and the Court even in advance of any eventual  
15 trial. See, e.g., Broadcast Innovation, L.L.C. v. Charter Communications, Inc., No. 03-cv-  
16 2223-ABJ-BNB, 2006 U.S. Dist. LEXIS 46623, at \*26-31 (D. Colo. July 11, 2006) (granting  
17 stay, in part, because of significant work remaining on motions for summary judgment, even  
18 though trial date was less than three months away).

19 Plaintiff claims Defendants delayed filing their request for reexamination to gain a  
20 tactical advantage over it. He claims that Defendants were aware of the prior art that they  
21 reference in their reexamination request over seven months ago, but purposely delayed so  
22 that the '184 Patent would expire during the reexamination process, thereby precluding  
23 Plaintiff from offering any amendments to the claims. Defendants respond that there was no  
24 intentional delay and that their decision to request reexamination was based, in part, on the  
25 Supreme Court decision in KSR International Co. v. Teleflex Inc., 127 S. Ct. 1727 (2007),  
26 which was only issued at the end of April. The Court is not convinced that Defendants

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27  
28 <sup>1</sup> In reaching this determination, the Court has considered the surreply submitted by  
Plaintiff and, therefore, the pending ex parte request to file a surreply [Doc. #201] is  
**GRANTED.**



1 employed any improper tactics in filing their request for reexamination. While Plaintiff is  
2 rightfully concerned that a reexamination in the twilight of his patent puts him at a distinct  
3 disadvantage, he could have prevented this situation by filing suit many years ago, thereby  
4 allowing sufficient time for any reexamination to occur before the patent expired.

5 Therefore, Plaintiff's cognizable claims of prejudice if a stay should be entered  
6 basically boil down to his inconvenience in delaying final collection of any monetary award  
7 of royalties, assuming he ultimately wins. However, as the court recognized in Broadcast,  
8 the prejudice factor "is best summarized by one question: *do the Plaintiffs have an adequate*  
9 *remedy at law?*" 2006 U.S. Dist. LEXIS 46623, at \*32. Just as in Broadcast, the answer  
10 here is that clearly Plaintiff does have an adequate remedy. Defendants point out, and  
11 Plaintiff has not disputed, that the '184 Patent will expire in February 2008 independent of  
12 reexamination. Given that a trial on the merits could not occur prior to that date, Plaintiff  
13 would not have been granted any injunctive relief by this Court. Therefore, his claim would  
14 be restricted to past monetary damages, which, with the addition of prejudgment interest, are  
15 fully capable of compensating Plaintiff. Unfortunately, reexamination can be a drawn out  
16 process, resulting in a significant delay in court proceedings. Protracted delay is always a  
17 risk inherent in granting a stay, yet courts continue to stay actions pending reexamination.  
18 The general prejudice of having to wait for resolution is not a persuasive reason to deny the  
19 motion for stay. An average delay for reexamination of approximately 18-23 months is  
20 especially inconsequential where Plaintiff himself waited as many as twelve years before  
21 bringing the present litigation. (See PTO Reexamination Statistics at Ex. B to Niro Decl.;  
22 Doc. #180-3.)

23 In addition, the Federal Circuit has recently confirmed that the PTO would not be  
24 bound in its reexamination by the determinations of this Court. In re Trans Texas Holdings  
25 Corp., 2006-1599 and 2006-1600, 2007 U.S. App. LEXIS 19909, at \*14-19 (Fed. Cir. Aug.  
26 22, 2007). Because of this, the Court finds that not only is Plaintiff unlikely to be prejudiced  
27 in these proceedings by a stay pending the PTO reexamination, but Defendants would  
28 potentially be prejudiced by *failing* to enter a stay. One court has explained this possibility



1 accordingly:

2 Not only could the Court and the PTO reach conflicting determinations, but  
 3 one possible scenario could result in irreparable harm to [Defendant]: if this  
 4 Court finds that the [patent] is not invalid and that [Defendant] has infringed  
 5 it, and orders [Defendant] to pay damages to [Plaintiff] for such infringement,  
 then [Defendant] would have no ability to recover those damages if at a later  
 date the PTO determined that the [] patent is invalid.

6 Bausch & Lomb, Inc. v. Alcon Lab., Inc., 914 F. Supp. 951, 952 (W.D.N.Y. 1996). The Court  
 7 finds such a possibility to be, at a minimum, a highly undesirable outcome.

8 Finally, the Court finds that the stay will result in the simplification of issues in this  
 9 case. As explained by the Federal Circuit, "[o]ne purpose of the reexamination procedure  
 10 is to eliminate trial of [the issue of patent claim validity] (when the claim is canceled) or to  
 11 facilitate trial of that issue by providing the district court with the expert view of the PTO  
 12 (when a claim survives the reexamination proceeding)." Gould v. Control Laser Corp., 705  
 13 F.2d 1340, 1342 (Fed. Cir. 1983), cert. denied, 464 U.S. 935 (1983). The Broadcast court,  
 14 elaborating on this point, explained:

15 Shifting the patent validity issue to the PTO has many advantages, including:

16 1. All prior art presented to the Court will have been first considered by the  
 PTO, with its particular expertise.

17 2. Many discovery problems relating to prior art can be alleviated by the PTO  
 18 examination.

19 3. In those cases resulting in effective invalidity of the patent, the suit will  
 20 likely be dismissed.

21 4. The outcome of the reexamination may encourage a settlement without  
 the further use of the Court.

22 5. The record of reexamination would likely be entered at trial, thereby  
 23 reducing the complexity and length of the litigation.

24 6. Issues, defenses, and evidence will be more easily limited in final pretrial  
 conferences after a reexamination.

25 7. The cost will likely be reduced both for the parties and the Court.

26 2006 U.S. Dist. LEXIS 46623, at \*9-10 (quoting Emhart Indus., Inc. v. Sankyo Seiki Mfg. Co.,  
 27 3 U.S.P.Q.2d 1889, 1890 (N.D. Ill. 1987)).

28 The Court believes that it will benefit from the PTO's evaluation of how the previously

1 unconsidered prior art references impact the claims of the patent-in-suit. The PTO's expert  
2 evaluation is likely to be of assistance not only as to the issues of validity, but its  
3 understanding of the claims is also likely to aid this Court in the preliminary process of claim  
4 construction.

5 The Court finds that, especially in this case, the reexamination process has the  
6 potential to significantly narrow the issues for trial because of the impending expiration of the  
7 '184 Patent. While the parties have argued at length about exactly how this additional  
8 variable affects the calculation of the likely outcome of reexamination, the Court need not  
9 resolve this dispute to reach the proper conclusion. It is enough to note that when  
10 reexamination is requested by a third party, as in this case, all claims are confirmed only 29%  
11 of the time. (See PTO Reexamination Statistics at Ex. B to Niro Decl.; Doc. #180-3.) Since  
12 no amendments can be offered to an expired patent, there is obviously a significant likelihood  
13 that the validity of the claims at issue in this action will be affected by the reexamination  
14 process.<sup>2</sup>

15 In addition, the Court expects that the reexamination process will not only aid the  
16 Court in these proceedings, but should also redound to the benefit of the parties, both  
17 Defendants and Plaintiff. As the Broadcast court explained in its discussion of the possibility  
18 of prejudice from entering a stay:

19 If the PTO does not invalidate or otherwise alter the claims of the [] patent,  
20 the Plaintiffs' legal remedy remains unaffected . . . . Moreover, if the claims  
21 are narrowed, both sets of parties will have benefitted by avoiding the  
22 needless waste of resources before this Court, and again, the Plaintiffs will  
23 be able to pursue their claim for money damages at trial. Finally, if the claims  
24 are strengthened, the Plaintiffs' position will be as well, and their likelihood  
25 of monetary damages will increase. *See, e.g., Motson*, 2005 U.S. Dist.  
LEXIS, 2005 WL 3465664 at \*1 ("[I]f the PTO upholds the validity of plaintiff's  
patent, 'the plaintiff's rights will only be strengthened, as the challenger's  
burden of proof becomes more difficult to sustain.'" (quoting *Pegasus Dev.*  
*Corp.*, 2003 U.S. Dist. LEXIS 8052, 2003 WL 21105073 at \*2).

---

26 <sup>2</sup> Plaintiff has argued that the PTO is unlikely to grant reexamination precisely because  
27 the '184 Patent will expire soon. However, Plaintiff failed to produce any evidence to support  
28 this contention. Moreover, even if Plaintiff is correct, and the PTO fails to grant  
reexamination (a decision which should issue no later than October 30, 2007), this Court  
would immediately lift the stay and these proceedings would continue – a relatively  
insignificant 2-month delay being all that would result.

1 2006 U.S. Dist. LEXIS 46623, at \*32-33. Accordingly, the Court finds that a stay is  
2 appropriate to avoid the risk of unnecessary litigation and to permit the clarification of issues  
3 before this Court.

4 Therefore, Defendants' motion to stay this litigation is **GRANTED IN PART** and  
5 **DENIED IN PART**. With the exception of two pending motions, all proceedings are hereby  
6 stayed pending the PTO's reexamination of the '184 Patent. The Court will continue to hear  
7 Plaintiff's pending motion for entry of default against Defendant Porter-Cable Corporation  
8 [Doc. #182], which is calendared for hearing on October 12, 2007. As was discussed above  
9 in Section I, the Court will also continue to hear B&D's pending motion for reconsideration  
10 of Magistrate Judge Bencivengo's August 3, 2007 order regarding production of Dennis  
11 Dearing's attorney work product [Doc. #240], which is calendared for hearing on November  
12 2, 2007. The Clerk is directed to **VACATE** all scheduled discovery hearings, as well as the  
13 claim construction hearing previously set for November 19, 2007. All hearing dates will be  
14 reset, to the extent appropriate, once the stay of these proceedings has been lifted.

15 Defendants are ordered to file a notice informing the Court of the PTO's decision on  
16 the pending application for reexamination within 10 days of receipt of such decision. If the  
17 PTO declines B&D's request to reexamine the '184 Patent, the Court will immediately lift the  
18 stay and recalendar all vacated hearing dates. If, however, the PTO approves  
19 reexamination, this stay will remain in place pending some resolution of those proceedings.  
20 During the pendency of the reexamination, Defendants will be required to file a notice every  
21 6 months apprising the Court of any change in the status of those proceedings.

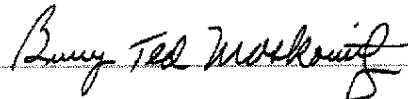
#### 22 23 **IV. Motion for Partial Summary Judgment**

24 On August 30, 2007, Plaintiff filed a motion for partial summary judgment piercing the  
25 corporate veils of the Black & Decker Defendants, or in the alternative, holding them to be  
26 a single enterprise for purposes of patent infringement liability. [Doc. #204.] The motion is  
27 presently calendared for hearing on October 26, 2007. In light of the Court's entry of a stay  
28 of these proceedings pending the PTO patent reexamination, the Court finds Plaintiff's

1 motion to be premature. Accordingly, the Court hereby **DENIES** Plaintiff's motion without  
2 prejudice.<sup>3</sup> As the Court is aware of the substantial volume of Plaintiff's motion, he is invited  
3 to refile this motion once the stay has been lifted by simply filing a short notice of motion  
4 which incorporates by reference his earlier filing.

5  
6 **IT IS SO ORDERED.**

7 DATED: September 10, 2007

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10 Honorable Barry Ted Moskowitz  
United States District Judge

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<sup>3</sup> Plaintiff's pending motion to file confidential documents under seal in support of the motion for partial summary judgment [Doc. #204-5] is also **DENIED** as moot.

## **Exhibit 6**

J. Christopher Jaczko (149317)  
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Attorneys for Phillips Plastics Corporation  
and Hi-Tech Plastics, Inc.

**IN THE UNITED STATES DISTRICT COURT**  
**FOR THE SOUTHERN DISTRICT OF CALIFORNIA**

JENS ERIK SORENSEN, as Trustee of  
SORENSEN RESEARCH AND  
DEVELOPMENT TRUST,

Plaintiff,

v.

THE BLACK & DECKER CORPORATION,  
BLACK & DECKER INC., BLACK &  
DECKER (U.S.) INC., PORTER-CABLE  
CORPORATION, VECTOR PRODUCTS,  
INC., PHILLIPS PLASTICS  
CORPORATION, HI-TECH PLASTICS INC.  
and B&D HOLDINGS LLC,

Defendants.

Case No. 06cv1572 BTM (CAB)

**NOTICE OF MOTION AND  
DEFENDANTS' JOINT MOTION TO  
STAY THE LITIGATION PENDING  
THE OUTCOME OF  
REEXAMINATION PROCEEDINGS**

**Date: August 31, 2007**  
**Time: 11:00 a.m.**  
**Courtroom 15, Fifth Floor**  
**Hon. Barry Ted Moskowitz**

**NO ORAL ARGUMENT UNLESS  
REQUESTED BY THE COURT**

1 NOTICE IS HEREBY GIVEN that on August 31, 2007 at 11:00 a.m., or as soon  
2 thereafter as the matter may be heard by the above-entitled Court, located at 940 Front Street,  
3 San Diego, CA 92101-8900, each of the Defendants in this action, Phillips Plastics Corporation,  
4 Hi-Tech Plastics, Inc., The Black & Decker Corporation, Black & Decker Inc., Black & Decker  
5 (U.S.) Inc., individually and d/b/a Porter-Cable Corporation<sup>1</sup>, Vector Products, Inc. and B&D  
6 Holdings LLC, will and hereby do respectfully move for a stay of the above-captioned  
7 proceeding pending the ongoing United States Patent & Trademark Office ("PTO")  
8 reexamination of the patent in suit, U.S. Patent No. 4,935,184 ("the '184 patent").

9 A stay of the present litigation is particularly warranted given the current status of this  
10 case. No trial date has been set. There is no deadline for the close of fact or expert discovery.  
11 The Court has not conducted a *Markman* hearing or construed the terms of the '184 patent. In  
12 fact, the parties have not even completed claim construction discovery or submitted claim  
13 construction briefs; nor have the majority of the Defendants yet submitted initial Rule 26(a)(1)  
14 Disclosures, which are due on August 31, 2007.

15 Therefore, a stay will conserve the resources of both the Court and the parties, and will  
16 also provide the benefit of simplifying (if not eliminating) the issues for trial. Given that the  
17 '184 patent will be expiring in approximately six months and that discovery remains in its initial  
18 stages, Plaintiff, Jens Erik Sorensen, as Trustee of Sorensen Research and Development Trust  
19 ("Plaintiff" or "Sorensen"), would not be prejudiced in any way by entry of an order staying the  
20 present litigation pending the PTO's ongoing reexamination of the '184 patent.

21 ///

22  
23  
24 <sup>1</sup> Porter-Cable Corporation does not exist as a separate entity; rather, it has merged  
into Black & Decker (U.S.) Inc., which operates in some instances as d/b/a Porter-Cable  
Corporation.

For the reasons set forth in greater detail in the supporting memorandum and related pleadings submitted herewith, Defendants respectfully request that the Court order this case stayed pending completion of the PTO's ongoing reexamination of the '184 patent.

Dated: August 3, 2007

Respectfully submitted,

/s/ Raymond P. Niro, Jr.

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**PROOF OF SERVICE**

I hereby certify that on August 3, 2007, I caused the foregoing NOTICE OF MOTION AND DEFENDANTS' JOINT MOTION TO STAY THE LITIGATION PENDING THE OUTCOME OF REEXAMINATION PROCEEDINGS to be electronically filed with the Clerk of the Court using the CM/ECF system which will send notification of such filing to:

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11 **IN THE UNITED STATES DISTRICT COURT**

12 **FOR THE SOUTHERN DISTRICT OF CALIFORNIA**

13 JENS ERIK SORENSEN, as Trustee of  
SORENSEN RESEARCH AND  
14 DEVELOPMENT TRUST,

15 Plaintiff,

16 v.

17 THE BLACK & DECKER CORPORATION,  
BLACK & DECKER INC., BLACK &  
18 DECKER (U.S.) INC., PORTER-CABLE  
CORPORATION, VECTOR PRODUCTS,  
19 INC., PHILLIPS PLASTICS  
CORPORATION, HI-TECH PLASTICS INC.  
20 and B&D HOLDINGS LLC,

21 Defendants.

Case No. 06cv1572 BTM (CAB)

**MEMORANDUM IN SUPPORT OF  
DEFENDANTS' JOINT MOTION TO  
STAY THE LITIGATION PENDING  
THE OUTCOME OF  
REEXAMINATION PROCEEDINGS**

**Date: August 31, 2007**

**Time: 11:00 a.m.**

**Courtroom 15, Fifth Floor**

**Hon. Barry Ted Moskowitz**

**NO ORAL ARGUMENT UNLESS  
REQUESTED BY THE COURT**

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1 **I. INTRODUCTION**

2 Each of the Defendants in this action, Phillips Plastics Corporation, Hi-Tech Plastics,  
3 Inc., The Black & Decker Corporation, Black & Decker Inc., Black & Decker (U.S.) Inc.,  
4 individually and d/b/a Porter-Cable Corporation<sup>1</sup>, Vector Products, Inc. and B&D Holdings  
5 LLC, respectfully move for a stay of the above-captioned proceeding pending the ongoing  
6 United States Patent & Trademark Office ("PTO") reexamination of the patent in suit, U.S.  
7 Patent No. 4,935,184 ("the '184 patent").

8 Although Plaintiff, Jens Erik Sorensen, as Trustee of Sorensen Research and  
9 Development Trust ("Plaintiff" or "Sorensen"), filed his Complaint against The Black & Decker  
10 Corporation on August 7, 2006, the remaining Black & Decker Defendants, Black & Decker  
11 Inc., Black & Decker (U.S.) Inc., Vector Products, Inc. and B&D Holdings LLC, were not  
12 added until much later and Defendants Phillips Plastics Corporation ("Phillips") and Hi-Tech  
13 Plastics, Inc. ("Hi-Tech"), were first joined as parties on March 9, 2007.

14 The case is still in the early stages. The parties are to exchange initial claim construction  
15 briefs on September 26, 2007 and responsive briefs on October 17, 2007 (Doc. #151 at p.4). A  
16 *Markman* hearing is scheduled for November 19, 2007 (Doc. #158). After the hearing, the  
17 Court will schedule a Case Management Conference setting additional discovery and pretrial  
18 dates (Doc. #151 at p.5). Accordingly, there are presently no deadlines for the close of fact  
19 discovery, expert discovery or for the filing of dispositive motions relating to the issues of  
20 infringement and validity of the '184 patent. Nor has any trial date been set with respect to any  
21 of these issues. The majority of the Defendants have not even submitted initial Rule 26(a)(1)  
22 Disclosures, which are due on August 31, 2007.

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23 <sup>1</sup> Porter-Cable Corporation does not exist as a separate entity; rather, it has merged  
24 into Black & Decker (U.S.) Inc., which operates in some instances as d/b/a Porter-Cable  
Corporation.

1 After completing its review and analysis of the prior art, particularly in light of the  
2 recent *KSR* decision and the application of that case by the PTO, Defendant Black & Decker  
3 (U.S.) Inc., through its Virginia counsel, filed a request for reexamination of the patent in suit  
4 with the PTO on July 30, 2007 (Exhibit A<sup>2</sup>, Reexamination Transmittal Form). The request  
5 seeks reexamination of all claims of the '184 patent being asserted by Sorensen against  
6 Defendants in the present litigation (those being claims 1, 6-8 and 10) (see Doc. #69, Amended  
7 Complaint at ¶26).

8 Therefore, a stay will conserve the resources of both the Court and the parties, and will  
9 also provide the benefit of simplifying (if not eliminating) the issues for trial. Given that the  
10 '184 patent will be expiring in approximately six months independently of the reexamination  
11 (and that discovery remains in its initial stages), Plaintiff will not be prejudiced in any way by  
12 entry of an order staying the present litigation pending the PTO's ongoing reexamination of the  
13 '184 patent. As discussed herein, the Defendants' motion is well grounded in both law and fact,  
14 and should therefore be granted by the Court.

## 15 II. LEGAL STANDARD FOR A STAY PENDING PTO REEXAMINATION

16 "Courts have inherent power to manage their dockets and stay proceedings, including  
17 the authority to order a stay pending conclusion of a PTO reexamination." *Ethicon v. Quigg*,  
18 849 F.2d 1422, 1426-27 (Fed. Cir. 1988). Determining whether to grant a stay pending the  
19 outcome of the PTO's reexamination is a matter soundly within the discretion of the district  
20 court. *Predicate Logic, Inc. v. Distributive Software, Inc.*, Case No. 01cv1951, Doc. #126 at p.2  
21  
22

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23 <sup>2</sup> Exhibits A-B are appended to the Declaration of Raymond P. Niro, Jr., submitted  
24 herewith.

1 (S.D. Cal. Nov. 14, 2002) (Moskowitz, J., presiding) (Exhibit 1<sup>3</sup>); *Photoflex Prods., Inc. v.*  
2 *Circa 3 LLC*, 2006 U.S. Dist. LEXIS 37743, \*2-3 (N.D. Cal. May 24, 2006) (Exhibit 2).

3 When ruling on such a stay, courts have considered the following factors: (1) whether a  
4 stay will unduly prejudice or tactically disadvantage the non-moving party, (2) whether a stay  
5 will simplify the issues in question and streamline the trial, and (3) whether discovery is  
6 complete and whether a trial date has been set. *Predicate Logic*, Case No. 01cv1951, Doc. #126  
7 at p.2; *Photoflex Prods. LLC*, 2006 U.S. Dist. LEXIS 37743 at \*3; *Nanometrics, Inc. v. Nova*  
8 *Measuring Instruments, Ltd.*, 2007 U.S. Dist. LEXIS 18785, \*4 (N.D. Cal. Feb. 26, 2007)  
9 (Exhibit 3). There is a "liberal policy" in favor of granting motions to stay proceedings pending  
10 the outcome of PTO reexamination proceedings. *Predicate Logic*, Case No. 01cv1951, Doc.  
11 #126 at p.2; *Nanometrics*, 2007 U.S. Dist. LEXIS 18785 at \*4; *Photoflex Prods.*, 2006 U.S.  
12 Dist. LEXIS 37743 at \*3.

13 "A stay is particularly justified where the outcome of the reexamination would be likely  
14 to assist the court in determining patent validity and, if the claims were cancelled in the  
15 reexamination, would eliminate the need to try the infringement issue." See *In re Cygnus*  
16 *Telecommunications Tech., LLC Patent Litigation*, 385 F.Supp.2d 1022, 1023 (N.D. Cal. 2005).  
17 Indeed, with respect to the issue of patent claim validity, the Federal Circuit has recognized that  
18 the reexamination procedure serves to "eliminate trial of that issue (when the claim is cancelled)  
19 or to facilitate trial of the issue by providing a district court with the expert view of the PTO  
20 (when a claim survives the reexamination proceeding)." *Gould v. Control Laser Corp.*, 705  
21 F.2d 1340, 1342 (Fed. Cir. 1983).

22  
23  
24 <sup>3</sup> Exhibits 1-9 are appended to the Notice of Lodging of Authorities, submitted  
herewith.



1 Several additional benefits associated with staying litigation pending the PTO's  
2 resolution of reexamination proceedings have been recognized:

3 1. Prior art presented to the court will have been first considered by  
4 the PTO, with its particular expertise.

5 2. Many discovery problems relating to prior art can be alleviated by  
6 the PTO examination.

7 3. In those cases resulting in effective invalidity of the patent, the suit  
8 will likely be dismissed.

9 4. The outcome of the reexamination may encourage a settlement  
10 without the further use of the court.

11 5. The record of reexamination would likely be entered at trial,  
12 thereby reducing the complexity and length of the litigation.

13 6. Issues, defenses, and evidence will be more easily limited in pre-  
14 trial conferences after a reexamination.

15 7. The cost will likely be reduced both for the parties and the court.

16 *Broadcast Innovation, LLC v. Charter Communs., Inc.*, 2006 U.S. Dist. LEXIS 46623, \*9-10  
17 (D.Colo. Jul. 11, 2006) (Exhibit 4).

18 In this case, each and every relevant consideration weighs heavily in favor of staying the  
19 present litigation pending the outcome of the PTO's reexamination of the '184 patent.

### 20 **III. A STAY OF THE LITIGATION PENDING THE PTO'S REEXAMINATION OF** 21 **THE '184 PATENT IS WARRANTED**

22 A stay in this case is particularly appropriate for at least the following reasons: (1)  
23 Defendants' motion for a stay is timely; (2) Sorensen will not be prejudiced by a stay; (3) a stay  
24 will simplify the issues for trial; (4) discovery is not nearing completion and no trial date has  
been set; and (5) a stay will reduce the burden of litigation on the parties as well as the Court.

#### 25 **A. Defendants' Motion For A Stay Is Timely**

Black & Decker (U.S.) Inc. filed the request for reexamination of the '184 patent on July  
30, 2007. The request was processed by the PTO and assigned Control No. 90/008,775 on

1 August 1, 2007 and Defendants promptly filed this motion to stay. The PTO is required to  
2 conduct all reexamination proceedings with "special dispatch," 35 U.S.C. § 305, and will  
3 determine *no later* than October 30, 2007 (three months from the July 30, 2007 filing date of the  
4 request) whether there is a "substantial new question of patentability" affecting the claims of the  
5 '184 patent. 35 U.S.C. § 303. According to recent data, the PTO grants over 90% of all  
6 requests for reexamination (Exhibit B). There is no reason to delay entry of a stay.

7 This motion is clearly timely as this case is in its early stages. For example, Plaintiff did  
8 not even add Defendants Phillips and Hi-Tech to the litigation until March 9, 2007. Phillips and  
9 Hi-Tech have not yet conducted an ENE conference or taken any depositions or other discovery.  
10 With the exception of Plaintiff and The Black & Decker Corporation, the parties have not even  
11 submitted initial Rule 26(a)(1) Disclosures. There is no deadline set for the close of fact or  
12 expert discovery, no pretrial deadlines and no trial date. Accordingly, ordering a stay at the  
13 present time will effectively eliminate an enormous potential waste of resources for the parties  
14 as well as the Court, since the Court will at a very minimum "benefit from the PTO's evaluation  
15 of how the [prior art] impacts the claims of the patent-in-suit." *Predicate Logic*, Case No.  
16 01cv1951, Doc. #126 at p.5 (granting motion to stay litigation filed 3 months prior to scheduled  
17 date for claim construction hearing).

18 The Court should enter an order at this time staying the litigation pending the PTO's  
19 ongoing reexamination of the '184 patent.

20 **B. Sorensen Will Not Be Prejudiced By A Stay**

21 Sorensen will likely suggest that he would be prejudiced by a stay due to the progression  
22 of the present litigation, or due to typical length of reexamination proceedings before the PTO.  
23 Neither of these arguments has any merit. How can there be prejudice when the parties have  
24

1 not yet exchanged claim construction briefs; no claim construction hearing has taken place;  
2 there is no deadline for dispositive motions; and, there is no date set for trial?

3 Under similar circumstances, this Court has found a stay to be warranted. In the case of  
4 *Predicate Logic, Inc. v. Distributive Software, Inc.*, a motion for stay was filed (and  
5 subsequently granted) approximately three months prior to the scheduled date for a claim  
6 construction hearing. Case No. 01cv1951, Doc. #126 at p.2. Although the *Predicate Logic* case  
7 was nearly one year old (much like the present case), the Court noted that "this litigation has not  
8 proceeded so far that it would be unjust to stay the action." *Id.* at p.3. Similarly, the present case  
9 is not one in which reexamination of the '184 patent was sought on the eve of trial.

10 Furthermore, Sorensen cannot claim prejudice where he delayed in initiating the present  
11 litigation. For example, in *Ingro v. Tyco Indus., Inc.*, the court granted a motion to stay  
12 litigation pending the completion of a reexamination proceeding. 1985 U.S. Dist. LEXIS  
13 19300, \*10 (N.D. Ill. May 31, 1985) (Exhibit 5). The court's reasoning was based in part on the  
14 fact that "plaintiff waited to commence litigation almost seven years after his first knowledge of  
15 alleged infringement and almost six years after the alleged first contact between plaintiff and  
16 Tyco." *Id.* at \*6. The *Ingro* court held:

17 The court agrees that especially in light of plaintiff's own delay in initiating  
18 litigation, a stay pending completion of reexamination proceedings, which on  
19 average involve 15.9 months from filing date to termination in the PTO, will  
20 constitute neither undue delay nor unreasonable delay.

21 *Id.*

22 Although this Court found issues of fact on Black & Decker's motion for summary  
23 judgment of laches, there is no challenging the fact that Sorensen delayed some 12 years in  
24 bringing this lawsuit after first placing Black & Decker and Phillips on notice of infringement of  
the '184 patent in 1994. Given his delay, Sorensen can hardly suggest that he would be

1 prejudiced by a stay in the present litigation pending resolution of the PTO's ongoing  
2 reexamination of the '184 patent. See also, *Hewlett-Packard Co. v. Acuson Corp.*, 1993 U.S.  
3 Dist. LEXIS 6449, \*5 (N.D. Cal. May 5, 1993) (Exhibit 6) (granting motion for stay and noting  
4 that "[Plaintiff's] ten year delay in seeking to protect its patented interests weighs heavily  
5 against denying [Defendant's] motion for stay").

6 Sorensen may also suggest that he would be prejudiced due to the typical length of  
7 reexamination proceedings before the PTO. Such proceedings do take time – the PTO reports  
8 that the average pendency of a reexamination proceeding is between 17 and 22 months (Exhibit  
9 B, PTO Reexamination Filing Data). As this Court has recognized, however, "the general  
10 prejudice of having to wait for resolution [of a reexamination proceeding] is not a persuasive  
11 reason to deny the motion for stay." *Predicate Logic*, Case No. 01cv1951, Doc. #126 at p.4-5  
12 (granting motion for stay). Courts have repeatedly held that the delay inherent to the  
13 reexamination process does not constitute, by itself, undue prejudice. See e.g., *Photoflex*  
14 *Prods.*, 2006 U.S. Dist. LEXIS 37743 at \*7; *Nanometrics*, 2007 U.S. Dist. LEXIS 18785 at \*9;  
15 *KLA-Tencor Corp. v. Nanometrics, Inc.*, 2006 U.S. Dist. LEXIS 15754, \*7 (N.D. Cal. Mar. 16,  
16 2006) (Exhibit 7). Moreover, some delay in the instant litigation "is more than off-set by  
17 increased certainty of whether this single patent [the '184 patent] will survive reexamination and  
18 whether there will be any need for litigation." *Nanometrics*, 2007 U.S. Dist. LEXIS 18785 at  
19 \*10.

20 Finally, a stay would in no way prejudice Sorensen by way of damages. The '184 patent  
21 will expire in February of 2008 independently of the reexamination. Given that a trial on the  
22 merits cannot realistically occur prior to that date, Sorensen has no entitlement to an injunction  
23 against Defendants – his claim is solely for past monetary damages, which will not change  
24

1 regardless of whether the case is stayed at the present time. *Nanometrics*, 2007 U.S. Dist.  
2 LEXIS 18785 at \*9. In other words, since Plaintiff cannot seek or obtain injunctive relief in this  
3 case, there is no potential prejudice to Sorensen from a stay.

4 In sum, there is no identifiable prejudice which would impact Sorensen as a result of a  
5 stay being entered in this case. The case remains at a relatively early stage, and the present time  
6 is appropriate for the requested stay.

7 **C. A Stay Will Simplify The Issues For Trial Or Eliminate The Need For A**  
8 **Trial Altogether**

9 As the Federal Circuit has explained with respect to the issue of patent claim validity,  
10 "one purpose of the reexamination procedure is to eliminate trial (when the claim is cancelled)  
11 or facilitate trial of that issue by providing the district court with the expert view of the PTO  
12 (when a claim survives the reexamination proceedings)." *Gould*, 705 F.2d at 1342; see also  
13 *Predicate Logic*, Case No. 01cv1951, Doc. #126 at p.5. These circumstances are especially  
14 compelling here in light of the upcoming expiration of the '184 patent. Specifically, unlike most  
15 reexamination proceedings, Sorensen will not be afforded the opportunity of amending the  
16 claims of the '184 patent:

17 *No enlargement of claim scope.* No amendment may enlarge the scope of the  
18 claims of the patent or introduce new matter. **No amendment may be proposed**  
19 **for entry in an expired patent. Moreover, no amendment, other than the**  
20 **cancellation of claims, will be incorporated into the patent by a certificate**  
21 **issued after the expiration of the patent.**

22 37 C.F.R. §1.530(j) (emphasis added).

23 **The cancellation of the original patent claims is the only "amendatory"**  
24 **change permitted in an expired patent.**

*Manual of Patent Examining Procedure* § 2250(III) (emphasis added) (Exhibit 8).

Based purely upon the PTO's own data, the impending expiration of the '184 patent  
creates a nearly 75% chance that *no* claims of the patent will survive the pending reexamination

1 proceeding.<sup>4</sup> In addition to these favorable statistics, Defendants also believe the reexamination  
2 of the '184 patent is particularly meritorious since it relies on prior art references never  
3 considered by the PTO in issuing the '184 patent, including prior art virtually identical to even  
4 the specific drawings and preferred embodiments of the '184 patent. Applying the recent  
5 Supreme Court *KSR* decision to the reexamination request further supports Defendants'  
6 reexamination position. *KSR International Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (2007).

7 Simply put, the claims of the '184 patent (as well as Sorensen's ability to assert  
8 infringement thereof) will live or die with the pending reexamination proceeding without  
9 change. As such, the reexamination will simplify (and likely eliminate entirely) the issues for  
10 trial in this case. If the present litigation is not stayed, there is a substantial risk of expending  
11 enormous resources of the parties and the Court through discovery and motion practice on  
12 claims that may ultimately be cancelled by the PTO. Given these circumstances, one would be  
13 hard pressed to find a situation in which a stay would be more appropriate.

14 **D. A Stay Will Reduce The Burden Of Litigation On The Parties As Well As**  
15 **The Court**

16 With the request for reexamination of the '184 patent now pending before the PTO, there  
17 is little, if any, justification for conducting parallel proceedings before this Court. A stay would  
18 reduce the burdens associated with litigation (such as cost and time) for not only the parties, but  
19 the Court as well. Indeed, this is the very reason that the reexamination process was codified.  
20 In passing the legislation establishing the reexamination proceeding, Congress stated its  
21 approval of district courts liberally granting stays within their discretion:

---

22 <sup>4</sup> Recent data from the PTO indicates that reexamination results in complete  
23 cancellation of all originally issued claims of a patent 10% of the time, and results in the party  
24 being required to make amendments to the claims 64% of the time (Exhibit B). Therefore, the  
likelihood of rejection for an expired patent is 74%.

1 It is believed by the committee that stay provisions are unnecessary in that such  
2 power already resides with the Court to prevent costly pre-trial maneuvering  
3 which attempts to circumvent the reexamination procedure. **It is anticipated that**  
4 **these measures provide a useful and necessary alternative for challengers**  
5 **and for patent owners to test the validity of United States patents in an**  
6 **efficient and relatively inexpensive manner.**

7 H.R.Rep. No. 1307 Part I, 96th Cong., 2d Sess. 4, reprinted in 1980 U.S. Code Cong. & Ad.  
8 News 6460, 6463 (Exhibit 9 at p. 42) (emphasis added).

9 As discussed above, there is a significant chance that the PTO will invalidate the '184  
10 patent. This creates a very real possibility that the parties will waste their resources litigating  
11 over issues that will ultimately be rendered moot by the PTO's findings. Absent a stay, the  
12 parties will soon embark on a path of extensive (and highly expensive) written and oral  
13 discovery on the issues of infringement and validity. The parties will also need to prepare claim  
14 construction briefs, which the Court will ultimately evaluate in conjunction with a *Markman*  
15 hearing. It is likely (if not certain) that both parties will need to retain experts on the topics of  
16 infringement and validity of the '184 patent. Dispositive motions will follow. All of the costs  
17 and time associated with these tasks can be greatly reduced (if not eliminated) by staying the  
18 present litigation, with no prejudice to Plaintiff. A stay is appropriate under these  
19 circumstances.

#### 20 E. No Dilatory Tactics Or Motive By Defendants

21 Defendants Phillips and Hi-Tech, as well as most of the Black & Decker Defendants,  
22 were only added to this case in February/March 2007 and are in the beginning stages of  
23 discovery. Indeed, there is no discovery cut-off or other pretrial deadlines for *any* of the parties,  
24 so "this is not a case where reexamination is sought on the eve of trial or after protracted  
discovery." *KLA-Tencor*, 2006 U.S. Dist. LEXIS 15754 at \*8. Moreover, the change in the law  
set forth in the Supreme Court's *KSR* decision (upon which portions of the reexamination



request are based) occurred within the last few months. There were no dilatory tactics or motive involved in the request for reexamination or the motion to stay.

#### IV. CONCLUSION

For all of the foregoing reasons, Defendants respectfully request that the Court order this case stayed pending completion of the PTO's ongoing reexamination of the '184 patent.

Dated: August 3, 2007

Respectfully submitted,

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*Attorneys for Defendants Phillips and Hi-Tech*



I hereby certify that on August 3, 2007, I caused the foregoing MEMORANDUM IN SUPPORT OF DEFENDANTS' JOINT MOTION TO STAY THE LITIGATION PENDING THE OUTCOME OF REEXAMINATION PROCEEDINGS to be electronically filed with the Clerk of the Court using the CM/ECF system which will send notification of such filing to:

I certify that all parties in this case are represented by counsel who are CM/ECF participants.

/s/ Raymond P. Niro, Jr.  
Attorney for the Black & Decker Defendants

/s/ Robert L. Binder  
Attorney for the Phillips and Hi-Tech

J. Christopher Jaczko (149317)  
Allison H. Goddard (211098)  
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Attorneys for Phillips Plastics Corporation  
and Hi-Tech Plastics, Inc.

IN THE UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF CALIFORNIA

JENS ERIK SORENSEN, as Trustee of  
SORENSEN RESEARCH AND  
DEVELOPMENT TRUST,

Plaintiff,

v.

THE BLACK & DECKER CORPORATION,  
BLACK & DECKER INC., BLACK &  
DECKER (U.S.) INC., PORTER-CABLE  
CORPORATION, VECTOR PRODUCTS,  
INC., PHILLIPS PLASTICS  
CORPORATION, HI-TECH PLASTICS INC.  
and B&D HOLDINGS LLC,

Defendants.

Case No. 06cv1572 BTM (CAB)

**DECLARATION OF RAYMOND P.  
NIRO, JR. IN SUPPORT OF  
DEFENDANTS' JOINT MOTION TO  
STAY THE LITIGATION PENDING  
THE OUTCOME OF  
REEXAMINATION PROCEEDINGS**

**Date: August 31, 2007  
Time: 11:00 a.m.  
Courtroom 15, Fifth Floor  
Hon. Barry Ted Moskowitz**

**NO ORAL ARGUMENT UNLESS  
REQUESTED BY THE COURT**

Raymond P. Niro, Jr., declares and states as follows:

1. I am a partner at the law firm of Niro, Scavone, Haller & Niro, attorneys for Defendant in this case. Unless otherwise stated herein, I have personal knowledge of the facts stated in this declaration and if called upon by a court of law to do so, I could and would testify competently to them.

2. Attached hereto as Exhibit A are true and correct copies of: Bibliographic Data and Transaction History from the PTO's PAIR System regarding the patent in suit; receipt acknowledging filing of request for re-examination; Request for *Ex Parte* Reexamination Transmittal Form; and, pages 1-4 of the request for reexamination.

3. Attached hereto as Exhibit B is a true and correct copy of a PTO publication entitled *Ex Parte* Reexamination Filing Data -- June 30, 2006.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: August 3, 2007

Respectfully submitted,

/s/ Raymond P. Niro, Jr.

Raymond P. Niro, Jr.  
Dina M. Hayes  
Gregory P. Casimer  
Robert A. Conley  
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Fax: (619) 234-3510

*Attorneys for Defendants Phillips and Hi-Tech*

**EXHIBIT – PAGE INDEX**

<u>Exhibit No.</u>	<u>Begins at Page</u>
Exhibit A .....	1
Exhibit B .....	10

**PROOF OF SERVICE**

I hereby certify that on August 3, 2007, I caused the foregoing DECLARATION OF RAYMOND P. NIRO, JR. IN SUPPORT OF DEFENDANTS' JOINT MOTION TO STAY THE LITIGATION PENDING THE OUTCOME OF REEXAMINATION PROCEEDINGS to be electronically filed with the Clerk of the Court using the CM/ECF system which will send notification of such filing to:

*Attorneys for Plaintiff*

J. Michael Kaler (158296)  
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9930 Mesa Rim Road, Suite 200  
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I certify that all parties in this case are represented by counsel who are CM/ECF participants.

/s/ Raymond P. Niro, Jr.  
Attorney for the Black & Decker Defendants

/s/ Robert L. Binder  
Attorney for the Phillips and Hi-Tech

## **Exhibit A**

---

90/008,775	STABILIZED INJECTION MOLDING WHEN USING A COMMON MOLD PART WITH SEPARATE COMPLIMENT MOLD PARTS	08-02- 2007::17:17:20
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**Bibliographic Data**

Application Number:	90/008,775	Customer Number:	-
Filing or 371 (c) Date:	07-30-2007	Status:	Reexam Preprocessing Completed - - Released to Assigned GAU
Application Type:	Re-Examination	Status Date:	08-01-2007
Examiner Name:	,	Location:	ELECTRONIC
Group Art Unit:	3991	Location Date:	-
Confirmation Number:	9943	Earliest Publication No:	-
Attorney Docket Number:	X32441	Earliest Publication Date:	-
Class / Subclass:	264/	Patent Number:	-
First Named Inventor:	4935184 , ,	Issue Date of Patent:	-

---

Title of Invention:	STABILIZED INJECTION MOLDING WHEN USING A COMMON MOLD PART WITH SEPARATE COMPLIMENT MOLD PARTS
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[Close Window](#)

90/008,775	STABILIZED INJECTION MOLDING WHEN USING A COMMON MOLD PART WITH SEPARATE COMPLIMENT MOLD PARTS	08-02- 2007::17:17:03
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**Transaction History**

Date	Transaction Description
08-02-2007	Notice of assignment of reexamination request
08-02-2007	Notice of reexamination request filing date
08-01-2007	Completion of Preprocessing - Released to Assigned GAU
08-02-2007	Application Is Now Complete
08-01-2007	Title Report
07-30-2007	Reexamination requested by third party requester
07-30-2007	Receipt of Original Ex Parte Reexam Request

**Close Window**



GREENBLUM & BERNSTEIN, P.L.C.  
Intellectual Property Causes  
1950 Roland Clarke Place  
Reston, VA 20191  
(703) 716-1191



7/30/2007

File In: Mailroom

The Patent Office Date stamp hereon is an acknowledgement that, on the date indicated, the Patent Office received the following:

- (X) Request for Ex Parte Reexamination Pursuant to 35 U.S.C. § 302 AND 37 C.F.R. 1.51  
(X) Certification of Service in Compliance with 37 C.F.R. § 1.510 (b)(2)  
( ) Amendment ( ) Claim of Priority & Certified Copy of \_\_\_\_\_  
( ) Executed Assignment and cover letter ( ) Declaration ( ) Executed  
( ) Executed S.E.S. ( ) S.E.S. Assertion ( ) Unexecuted  
( ) Req. for Ext. of Time ( ) Copy from parent  
(X) Fee Filing (X) Transmittal Letter  
Recording ( ) ( ) Patent Application  
Issue ( ) ( ) Provisional ( ) Reexam  
Extension ( ) ( ) Reissue ( ) Design  
Publication ( ) ( ) Continuation ( ) CIP  
( ) ( ) Divisional  
\_\_\_\_\_ pages (w/abstract)  
\_\_\_\_\_ claims \_\_\_\_\_ independent  
\_\_\_\_\_ sheets of drawings  
( ) Utility Model  
( ) Provisional Application Cover Sheet  
( ) Request for Continued Examination (RCE) including Submission  
( ) Cover Letter  
( ) Credit Card Payment for \$ \_\_\_\_\_  
(Form PTO-2038)  
(X) Check No. 59908 for \$ 2,520.00  
( ) Rule 53b and 53f Letter for Unexecuted Application  
( ) Application Data Sheet  
(X) Appendix A (X) Appendix B (X) Appendix F  
(X) Appendix C including copy of  
(X) Appendix D Patent No. 4,935,184  
(X) Appendix E

In the matter of : REEXAMINATION OF US

Applicant :

Application No. :

Patent No. :

4,935,184

Issued : July 27, 1987

Docket : X32441

X32441

PTO/SB/57 (07-07)

Approved for use through 07/31/2007. OMB 0651-0033

U.S. Patent and Trademark Office; U.S. DEPARTMENT OF COMMERCE

Under the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number.

(Also referred to as FORM PTO-1465)

**REQUEST FOR *EX PARTE* REEXAMINATION TRANSMITTAL FORM**

Address to:

Mail Stop *Ex Parte* Reexam

Commissioner for Patents

P. O. Box 1450

Alexandria, VA 22313-1450

Attorney Docket No.: X32441

Date: July 30, 2007

1. ☒ This is a request for *ex parte* reexamination pursuant to 37 CFR 1.510 of patent number 4,935,184 issued June 19, 1990. The request is made by:
  - ☐ patent owner.
  - ☒ third party requester.
2. ☒ The name and address of the person requesting reexamination is:
  - Arnold Turk, Esq.
  - Greenblum & Bernstein, P.L.C.
  - 1950 Roland Clarke Place, Reston, VA 20191
3. ☒ a. A check in the amount of \$ 2,520.00 is enclosed to cover the reexamination fee, 37 CFR 1.20(c)(1);
  - ☒ b. The Director is hereby authorized to charge the fee as set forth in 37 CFR 1.20(c)(1) to Deposit Account No. 19-0089 (submit duplicative copy for fee processing); or
  - ☐ c. Payment by credit card. Form PTO-2038 is attached.
4. ☒ Any refund should be made by ☐ check or ☒ credit to Deposit Account No. 19-0089 37 CFR 1.26(c). If payment is made by credit card, refund must be to credit card account.
5. ☒ A copy of the patent to be reexamined having a double column format on one side of a separate paper is enclosed. 37 CFR 1.510(b)(4)
6. ☐ CD-ROM or CD-R in duplicate, Computer Program (Appendix) or large table
  - ☐ Landscape Table on CD
7. ☐ Nucleotide and/or Amino Acid Sequence Submission
  - If applicable, items a. - c. are required.*
  - a. ☐ Computer Readable Form (CRF)
  - b. Specification Sequence Listing on:
    - i. ☐ CD-ROM (2 copies) or CD-R (2 copies); or
    - ii. ☐ paper
  - c. ☐ Statements verifying identity of above copies
8. ☐ A copy of any disclaimer, certificate of correction or reexamination certificate issued in the patent is included.
9. ☒ Reexamination of claim(s) 1, 2, 4, 6-10 is requested.
10. ☒ A copy of every patent or printed publication relied upon is submitted herewith including a listing thereof on Form PTO/SB/08, PTO-1449, or equivalent.
11. ☒ An English language translation of all necessary and pertinent non-English language patents and/or printed publications is included.

(Page 1 of 2)

This collection of information is required by 37 CFR 1.510. The information is required to obtain or retain a benefit by the public which is to file (and by the USPTO to process) an application. Confidentiality is governed by 35 U.S.C. § 122 and 37 CFR 1.11 and 1.14. This collection is estimated to take 2 hours to complete, including gathering, preparing, and submitting the completed application form to the USPTO. Time will vary depending upon the individual case. Any comments on the amount of time you require to complete this form and/or suggestions for reducing this burden, should be sent to the Chief Information Officer, U.S. Patent and Trademark Office, U.S. Department of Commerce, P.O. Box 1450, Alexandria, VA 22313-1450. DO NOT SEND FEES OR COMPLETED FORMS TO THIS ADDRESS: SEND TO: Mail Stop *Ex Parte* Reexam, Commissioner for Patents, P. O. Box 1450, Alexandria, VA 22313-1450.

*If you need assistance in completing the form, call 1-800-PTO-9199 and select option 2.*

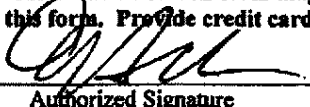
{X32441 00232592.DOC}

PTO/SB/57 (07-07)

Approved for use through 07/31/2007. OMB 0631-0033

U.S. Patent and Trademark Office, U.S. DEPARTMENT OF COMMERCE

Under the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number.

12. <input checked="" type="checkbox"/> The attached detailed request includes at least the following items: a. A statement identifying each substantial new question of patentability based on prior patents and printed publications. 37 CFR 1.510(b)(1) b. An identification of every claim for which reexamination is requested, and a detailed explanation of the pertinency and manner of applying the cited art to every claim for which reexamination is requested. 37 CFR 1.510(b)(2)		
13. <input type="checkbox"/> A proposed amendment is included (only where the patent owner is the requester). 37 CFR 1.510(e)		
14. <input checked="" type="checkbox"/> a. It is certified that a copy of this request (if filed by other than the patent owner) has been served in its entirety on the patent owner as provided in 37 CFR 1.33(c). The name and address of the party served and the date of service are: <u>James Michael Kaler</u> <u>Edward W. Callan</u> <u>The Law Offices of James M. Kaler</u> <u>3830 Valley Center Drive, No.705, PMB452</u> <u>9930 Mesa Rim Road Suite 200, San Diego, CA 92121</u> <u>San Diego, CA 92130</u>  Date of Service: <u>July 30, 2007</u> ; or  <input type="checkbox"/> b. A duplicate copy is enclosed since service on patent owner was not possible.		
15. Correspondence Address: Direct all communication about the reexamination to:  <input checked="" type="checkbox"/> The address associated with Customer Number: <u>07055</u> <input checked="" type="checkbox"/> OR		
<input checked="" type="checkbox"/> Firm or Individual Name <u>Greenblum &amp; Bernstein, P.L.C.</u>		
Address <u>1950 Roland Clarke Place</u>		
City	<u>Reston</u>	State <u>VA</u> Zip <u>20191</u>
Country <u>United States</u>		
Telephone	<u>(703) 716-1191</u>	Email <u>aturk@gbpatent.com</u>
16. <input checked="" type="checkbox"/> The patent is currently the subject of the following concurrent proceeding(s): <input type="checkbox"/> a. Copending reissue Application No. _____ <input type="checkbox"/> b. Copending reexamination Control No. _____ <input type="checkbox"/> c. Copending Interference No. _____ <input checked="" type="checkbox"/> d. Copending litigation styled: (1) <u>Jens E. Sorensen v. Black Decker (U.S.) Inc., et al., Civil Action No. 06-cv-1572</u> (2) <u>Jens E. Sorensen v. Tecnica USA Corp. and Nordica USA Corp., Civil Action No. 06-cv-1941</u> (3) <u>Previous litigation listed in Request</u> <b>WARNING: Information on this form may become public. Credit card information should not be included on this form. Provide credit card information and authorization on PTO-2038.</b>  <div style="display: flex; justify-content: space-between;"> <div> <u></u>  Authorized Signature </div> <div> <u>July 30, 2007</u>  Date </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div> <u>Arnold Turk</u>  Typed/Printed Name </div> <div> <u>33094</u>  Registration No. </div> <div> <input type="checkbox"/> For Patent Owner Requester  <input checked="" type="checkbox"/> For Third Party Requester </div> </div>		

(Page 2 of 2)

Attorney Docket No. X32441  
Attorney Docket No. SOR-BD-184  
Request for Reexamination of U.S. Patent No. 4,935,184

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

Inventor: Jens Ole Sorensen )  
)  
Patent No.: 4,935,184 )  
)  
Issue Date: June 19, 1990 )  
)  
Filing Date: July 27, 1989 )  
)  
Title: Stabilized Injection Molding )  
When Using A Common )  
Mold Part With Separate )  
Complimentary Mold Parts )

**Mail Stop *Ex Parte* Reexam**  
Central Reexamination Unit  
Commissioner for Patents  
United States Patent & Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313-1450

**REQUEST FOR *EX PARTE* REEXAMINATION**  
**PURSUANT TO 35 U.S.C. § 302 AND 37 § C.F.R. 1.510**

Pursuant to 35 U.S.C. § 302 and 37 C.F.R. § 1.510, the Third Party Requester hereby requests that reexamination of the above-identified patent be ordered by the U.S. Patent & Trademark Office.

**I. CLAIMS FOR REEXAMINATION**

Reexamination of claims 1, 2, 4 and 6-10 of U.S. Patent No. 4,935,184 ("the '184 patent") is requested and believed to be in order. The '184 patent is not expired and is still enforceable. A copy of the '184 patent is attached hereto as Appendix A as required by 37 C.F.R. § 1.510(b)(4).

Attorney Docket No. SOR-BD-184  
Request for Reexamination of U.S. Patent No. 4,935,184

## II. SUBSTANTIAL NEW QUESTIONS OF PATENTABILITY

Substantial new questions of patentability are raised based upon the following patents and printed publications:

Patents and Published Patents				
Reference Number	Country	Applicant or Assignee	Issue Date	Statutory Basis
2,863,241	U.S.	Gits	12/09/58	102(b)
3,178,497	U.S.	Moscicki	04/13/65	102(b), 103(a)
4,422,995	U.S.	Schad	12/27/83	103(a)
4,440,820	U.S.	Shiho et al.	04/03/84	102(b), 103(a)
1 850 999	Germany (DE)	Echterholter	05/03/62 (published)	102(b), 103(a)
2 004 494	U.K. (GB)	SEIMA	04/04/79 (published)	102(b), 103(a)
60-119520	Japan (JP)	Toyota Motor	08/13/85 (published)	102(b), 103(a)
Printed Publications				
Source	Title		Publication Date	Statutory Basis
Modern Plastics	New Vigor For Two-Shot Molding With Automation . . . Versatility . . . Ingenuity		05/68	102(b), 103(a)

A copy of each reference that has a bearing on the patentability of the claims of the '184 patent (including English translations thereof as appropriate) is enclosed in Appendix B herewith in accordance with 37 C.F.R. § 1.510(b)(3). The cover page of Appendix B lists the identified references in a PTO/SB/08 form.

With the exception of the Schad reference, none of the other identified references were cited by either the applicant or the Examiner during prosecution of the application that issued as the '184 patent. These newly cited references are more relevant than the art cited and considered during prosecution of the '184 patent.

Attorney Docket No. SOR-BD-184  
Request for Reexamination of U.S. Patent No. 4,935,184

As shown herein, the identified references anticipate or render obvious one or more claims of the '184 patent, alone or in combination with other references or the knowledge of one of ordinary skill in the art. Because none of the identified references were previously considered in the present context, and because the identified references teach or render obvious the claimed invention, a substantial new question of patentability is raised and reexamination should be granted with respect to each of claims 1, 2, 4 and 6-10 of the '184 patent. For ease of reference, a table listing each substantial new question of patentability that exists in view of the identified references appears at the beginning of Appendix C.

### III. CONCURRENT LITIGATION INVOLVING THE '184 PATENT

The '184 patent is currently involved in litigation. On August 7, 2006, Jens E. Sorensen as trustee of the Sorensen Research and Development Trust (the purported owner of the '184 patent) filed a Complaint asserting infringement of the '184 patent against The Black & Decker Corporation. The Complaint has since been amended to include allegations of patent infringement against Black & Decker Inc., Black & Decker (U.S.) Inc., Porter-Cable Corporation, Vector Products, Inc., Phillips Plastics Corporation, Hi-Tech Plastics, Inc., and B&D Holdings, LLC. The case is pending in the United States District Court for the Southern District of California, and is docketed as Civil Action No. 06-cv-1572. The '184 patent is also presently involved in a second matter pending in the same district against Tecnica USA Corporation and Nordica USA Corporation. That case is docketed as Civil Action No. 06-cv-1941.

Additionally, the '184 patent has previously been the subject of litigation in the following matters:



Attorney Docket No. SOR-BD-184  
Request for Reexamination of U.S. Patent No. 4,935,184

- *Jens E. Sorensen as trustee of the Sorensen Research and Development Trust v. Premier Automotive Group, Ford Motor Company, and Jaguar Cars, Ltd.*, Civil Action No. 03-cv-1107, United States District Court for the Northern District of California
- *Jens E. Sorensen as trustee of the Sorensen Research and Development Trust and Jens Ole Sorensen v. DaimlerChrysler AG and Mercedes-Benz USA, LLC*, Civil Action No. 02-cv-4752, United States District Court for the Northern District of California (subsequently transferred to the United States District Court for the District of New Jersey and docketed as Civil Action No. 03-cv-1763)
- *In the Matter of Certain Automobile Tail Light Lenses and Products Incorporating Same, Jens E. Sorensen as trustee of the Sorensen Research and Development Trust and Jens Ole Sorensen v. DaimlerChrysler AG and Mercedes-Benz USA, LLC*, Investigation No. 337-TA-502, United States International Trade Commission
- *Lowe's Companies, Inc. and Lowe's Home Centers, Inc. v. Sorensen Research & Development Trust*, Civil Action No. 05-cv-234, United States District Court for the Western District of North Carolina
- *Digital Innovations LLC v. Sorensen Research & Development Trust*, Civil Action No. 05-cv-6428, United States District Court for the Northern District of Illinois
- *Nordica USA Corporation v. Jens Ole Sorensen, Jens Erik Sorensen, and Sorensen Research and Development Trust*, Civil Action No. 06-cv-91, United States District Court for the District of New Hampshire
- *Husqvarna Outdoor Products v. Sorensen Research & Development Trust*, Civil Action No. 06-cv-160, United States District Court for the Southern District of Georgia
- *Head USA, Inc. v. Jens E. Sorensen as trustee of the Sorensen Research and Development Trust*, Civil Action No. 06-cv-983, United States District Court for the District of Connecticut
- *Big Lots Stores, Inc. v. Sorensen Research & Development Trust*, Civil Action No. 06-cv-1089, United States District Court for the Southern District of Ohio
- *Jens E. Sorensen as trustee of the Sorensen Research and Development Trust v. Head USA, Inc.*, Civil Action No. 06-cv-1434, United States District Court for the Southern District of California

These cases are all believed to have been resolved by way of settlement and/or dismissal.

## **Exhibit B**





## UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Patents  
United States Patent and Trademark Office  
P.O. Box 1450  
Alexandria, VA 22315-1450  
www.uspto.gov

Ex Parte Reexamination Filing Data - June 30, 2006

1. Total requests filed since start of ex parte reexam on 07/01/81 ..... 8084
- a. By patent owner ..... 3313 41%
  - b. By other member of public ..... 4606 57%
  - c. By order of Commissioner ..... 165 2%

2. Number of filings by discipline
- a. Chemical Operation ..... 2496 31%
  - b. Electrical Operation ..... 2608 32%
  - c. Mechanical Operation ..... 2980 37%

## 3. Annual Ex Parte Reexam Filings

Fiscal Yr.	No.	Fiscal Yr.	No.	Fiscal Yr.	No.	Fiscal Yr.	No.
1981	78 (3 mos.)	1989	243	1997	376	2005	524
1982	187	1990	297	1998	350	2006	340
1983	186	1991	307	1999	385		
1984	189	1992	392	2000	318		
1985	230	1993	359	2001	296		
1986	232	1994	379	2002	272		
1987	240	1995	392	2003	392		
1988	268	1996	418	2004	441		

4. Number known to be in litigation ..... 1895 23%
5. Determinations on requests ..... 7852
- a. No. granted ..... 7160 ..... 91%
    - (1) By examiner ..... 7054
    - (2) By Director (on petition) ..... 106
  - b. No. denied ..... 692 ..... 9%
    - (1) By examiner ..... 657
    - (2) Order vacated ..... 35

## 6. Total examiner denials (includes denials reversed by Director).....763

a. Patent owner requester	430	56%
b. Third party requester	333	44%

## 7. Overall reexamination pendency (Filing date to certificate issue date)

a. Average pendency	22.8 (mos.)
b. Median pendency	17.6 (mos.)

## 8. Reexam certificate claim analysis:

	<u>Owner Requester</u>	<u>3rd Party Requester</u>	<u>Comm'r Initiated</u>	<u>Overall</u>
a. All claims confirmed	23%	29%	13%	26%
b. All claims cancelled	7%	12%	19%	10%
c. Claims changes	70%	59%	68%	64%

## 9. Total ex parte reexamination certificates issued (1981 - present).....5433

a. Certificates with all claims confirmed	1410	26%
b. Certificates with all claims canceled	554	10%
c. Certificates with claims changes	3469	64%

## 10. Reexam claim analysis - requester is patent owner or 3rd party; or Comm'r initiated.

## a. Certificates \_ PATENT OWNER REQUESTER.....2360

(1) All claims confirmed	543	23%
(2) All claims canceled	174	7%
(3) Claim changes	1643	70%

## b. Certificates \_ 3rd PARTY REQUESTER.....2934

(1) All claims confirmed	849	29%
(2) All claims canceled	353	12%
(3) Claim changes	1732	59%

## c. Certificates \_ COMM'R INITIATED REEXAM .....139

(1) All claims confirmed	18	13%
(2) All claims canceled	27	19%
(3) Claim changes	94	68%

## **Exhibit 7**

FILED

02 NOV 14 AM 10:15

CLERK U.S. DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA  
*[Signature]*  
DEPUTY

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA**

PREDICATE LOGIC, INC.,

Plaintiff,

vs.

DISTRIBUTIVE SOFTWARE, INC.,

Defendant.

CASE NO. 01cv1951 BTM(CGA)

**ORDER GRANTING IN PART AND  
DENYING IN PART DEFENDANT'S  
MOTION TO STAY PROCEEDINGS**

Defendant Distributive Software, Inc., has filed a motion for stay of proceedings. For the reasons discussed below, Defendant's motion is GRANTED IN PART and DENIED IN PART.

**I. BACKGROUND**

Plaintiff Predicate Logic, Inc. filed this patent infringement action on October 23, 2001. Plaintiff claims that Defendant is infringing one or more claims of United States Patent No. 5,930,798 ("798 Patent"), an invention entitled "Universal Data Measurement, Analysis and Control System," by making, using, importing, offering for sale, and/or selling software products including "Software Suite."

At the request of Plaintiff, default was entered against Defendant on January

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1 7, 2002. On January 17, 2002, Defendant filed a motion to set aside the default. The  
2 next few months were spent litigating the issue of the propriety of the default. On May  
3 7, 2002, the Court issued its order granting Defendant's motion to set aside default.

4 The Court held a status conference on August 29, 2002, at which time the  
5 Markman hearing was set for January 6, 2003. An order filed on September 5, 2002,  
6 set forth the various dates for the exchange of claims construction papers.

7 On October 8, 2002, Defendant filed its motion for stay of proceedings.  
8 Defendant's motion is based on its Request for Reexamination of the '798 Patent  
9 which was filed with the U.S. Patent and Trademark Office ("PTO") on October 7,  
10 2002. The Request for Reexamination challenges all 20 claims of the '798 Patent  
11 based on the textbook Building Effective Decision Support Systems by Sprague &  
12 Carlson ("DSS Reference"), a reference that allegedly was not considered previously  
13 by the PTO.

## 14 II. ANALYSIS

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16 Courts have inherent power to stay an action pending conclusion of PTO  
17 reexamination proceedings. Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1426-27 (Fed. Cir.  
18 1988). The decision whether to grant or deny a motion to stay proceedings pending  
19 PTO reexamination proceedings rests within the sound discretion of the court. GPAC  
20 Inc. v. DWW Enterprises, Inc., 144 F.R.D. 60, 66 (D.N.J. 1992). There is a "liberal  
21 policy" in favor of granting motions to stay proceedings pending the outcome of PTO  
22 reexamination or reissuance proceedings. ASCII Corp. v. STD Entertainment USA  
23 Inc., 844 F. Supp. 1378, 1381 (N.D. Cal. 1994).

24 In determining whether to stay litigation pending reexamination by the PTO,  
25 courts generally consider the following factors: (1) the stage of litigation, i.e., whether  
26 discovery is almost complete and whether a trial date has been set; (2) whether a stay  
27 would cause undue prejudice or present a clear disadvantage to the non-moving  
28 party; and (3) whether a stay will simplify the issues in question and trial of the case.

1 Id. at 63-64. See also Xerox Corp. v. 3Com Corp., 69 F. Supp. 2d 404, 406 (W.D.N.Y.  
2 1999).

3 This litigation has not proceeded so far that it would be unjust to stay the action.  
4 Although this action was filed about a year ago, the first six months were spent  
5 litigating the issue of default. Some discovery has been exchanged but discovery is  
6 not nearing completion. Trial has not been set. Compare Xerox Corp. v. 3Com Corp.,  
7 69 F. Supp. 2d 404 (W.D.N.Y. 1999) (denying motion for stay where the case was  
8 pending for almost two years and extensive discovery was conducted); Agar Corp. v.  
9 Multi-Fluid, Inc., 983 F. Supp. 1126 (S.D. Tex. 1997) (denying motion for stay where  
10 the case was pending for one year and nine months, discovery was well under way  
11 and trial was set); Wayne Automation Corp. v. R.A. Pearson Co., 782 F. Supp. 516  
12 (E.D. Wash. 1991) (denying motion for stay where the trial date was set and  
13 defendant conducted extensive discovery).

14 Plaintiff claims Defendant delayed filing its Request for Reexamination to gain  
15 a tactical advantage over it. Plaintiff further claims that the motion for a stay is a delay  
16 tactic in keeping with Defendant's alleged discovery misconduct. Counsel for Plaintiff  
17 claims that on July 8, 2002 counsel for Defendant stated that Defendant would be  
18 filing a reexamination application. (Declaration of Andrew D. Skale in support of  
19 Opposition, ¶ 8.) According to Plaintiff, Defendant purposefully delayed filing its  
20 Reexamination Request until October in order to obtain information regarding  
21 Plaintiff's infringement position while refusing to produce information regarding its  
22 invalidity claims.

23 As ordered by the Court, Plaintiff supplied Defendant with an infringement  
24 statement on September 27, 2002, and the parties exchanged statements of patent  
25 construction on October 31, 2002. However, Plaintiff claims that Defendant has  
26 refused to produce documents and responses to interrogatories regarding  
27 Defendant's invalidity claims. A motion to compel is pending before Magistrate Judge  
28 Aaron.

1 Defendant denies Plaintiff's contention that Defendant intentionally delayed the  
2 filing of the Request for Reexamination. Defendant claims that although filing for  
3 reexamination was one of the options being considered in early July, it did not decide  
4 to file for reexamination until August 27, 2002. (Declaration of John W. Dozier in  
5 support of Reply, ¶ 3.) Defendant informed the Court that it would file for  
6 reexamination at the status conference on August 29, 2002. Defendant also argues  
7 that it has withheld production of certain documents and interrogatory responses  
8 because they would reveal confidential and proprietary information. Defendant and  
9 Plaintiff have been wrangling over the content of a proposed protective order since  
10 July 16, 2002. Defendant filed a motion for protective order on October 17, 2002,  
11 which is currently pending before the Magistrate Judge.

12 For the most part, the papers submitted by Plaintiff and Defendant consist of  
13 bickering over who is at fault for the failure to agree on a proposed protective order.  
14 As far as the Court is concerned, there is some gamesmanship on both sides and the  
15 Court need not enter the fray to decide the instant motion.

16 Based on the facts before it, the Court finds that there is insufficient evidence  
17 to conclude that Defendant purposefully delayed filing its Request for Reexamination  
18 or that the motion for stay is a delay tactic. To avoid any prejudice to Plaintiff in  
19 connection with the discovery of Defendant's invalidity position, the Court will not stay  
20 the *pending* discovery pertaining to Defendant's invalidity claims. The stay does not  
21 apply to the pending motion for protective order or the pending motion to compel as  
22 it pertains to Defendant's invalidity claims.

23 Plaintiff also claims that it will suffer prejudice as the result of a stay because  
24 it is a small company which will be irreparably harmed by Defendant's alleged  
25 continual infringement during the reexamination process. Unfortunately, reexamination  
26 can be a drawn out process, resulting in a significant delay in court proceedings.  
27 Protracted delay is always a risk inherent in granting a stay, yet courts continue to  
28 stay actions pending reexamination. The general prejudice of having to wait for

1 resolution is not a persuasive reason to deny the motion for stay. Moreover,  
2 Defendant counters that it would suffer prejudice if the stay is denied because it is a  
3 small company which cannot afford to litigate claims that ultimately may be changed  
4 or invalidated.

5 Finally, the Court finds that the stay will result in the simplification of issues in  
6 this case. As explained by the Federal Circuit, "One purpose of the reexamination  
7 procedure is to eliminate trial of [the issue of patent claim validity] (when the claim is  
8 canceled) or to facilitate trial of that issue by providing the district court with the expert  
9 view of the PTO (when a claim survives the reexamination proceeding)." Gould v.  
10 Control Laser Corp., 705 F.2d 1340 (Fed. Cir. 1983), cert. denied, 464 U.S. 935  
11 (1983). The Court believes that it will benefit from the PTO's evaluation of how the  
12 DSS Reference impacts the claims of the patent-in-suit.

13 Plaintiff argues that even if the patent-in-suit emerges from reexamination  
14 amended, "most of the claim elements would emerge unchanged — likely only a few  
15 additional terms would be added." (Memorandum of Points and Authorities in support  
16 of Opposition, 15:20-22.) This is mere speculation on Plaintiff's part. It is equally  
17 possible that a number of the claims will be significantly modified or canceled or that  
18 the patent itself will be invalidated. Accordingly, the Court finds that a stay would be  
19 appropriate to avoid the risk of unnecessary litigation and to permit the clarification of  
20 issues before this Court.

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**III. CONCLUSION**

For the reasons discussed above, Defendant's motion for stay of proceedings [85-1] is **GRANTED IN PART** and **DENIED IN PART**. With the exception of pending discovery pertaining to Defendant's invalidity claims, the Court hereby stays this action pending reexamination proceedings before the PTO. The stay does not apply to the pending motion for protective order or the pending motion to compel as it pertains to Defendant's invalidity claims. Defendant shall produce all discovery ordered by the Magistrate Judge that is subject to the pending motion. Defendant shall notify the Court when the PTO rejects or accepts Defendant's Request for Reexamination. Any dilatory practices by Defendant in connection with the reexamination proceedings will be grounds for vacating the stay. A status conference shall be held on May 13, 2002 at 2:30 p.m.

**IT IS SO ORDERED.**

Dated: November 13, 2002

  
**HONORABLE BARRY TED MOSKOWITZ**  
United States District Judge

cc: Magistrate Judge Aaron  
All parties and counsel of record